EXAM SUCCESS: CASE STUDY EXAM TECHNIQUES

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Learning Support Manager
| STRATEGIC LEVEL | CIMA | AWARD / Membership of the Chartered Institute of Management Accountants and the CGMA® designation |
|-----------------|------|-------------------------------------------------------------------------------------------------
| Assessment of practical experience |
| Strategic Case Study Exam |
| E3 Strategic Management |
| P3 Risk Management |
| F3 Financial Strategy |

<table>
<thead>
<tr>
<th>MANAGEMENT LEVEL</th>
<th>AWARD / CIMA Advanced Diploma in Management Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Case Study Exam</td>
<td></td>
</tr>
<tr>
<td>E2 Project and Relationship Management</td>
<td></td>
</tr>
<tr>
<td>P2 Advanced Management Accounting</td>
<td></td>
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<tr>
<td>F2 Advanced Financial Reporting</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATIONAL LEVEL</th>
<th>AWARD / CIMA Diploma in Management Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Case Study Exam</td>
<td></td>
</tr>
<tr>
<td>E1 Organisational Management</td>
<td></td>
</tr>
<tr>
<td>P1 Management Accounting</td>
<td></td>
</tr>
<tr>
<td>F1 Financial Reporting and Taxation</td>
<td></td>
</tr>
</tbody>
</table>

Pre-requisite entry requirements (e.g. CIMA Certificate in Business Accounting, degrees in business or accounting or AAT Technician/Diploma level [level 4]).
Session Outcomes

• Case Studies – key facts
• Exam format
• Pre-seen material
• Walk through demonstration
• Study tips and useful links
The context and structure of a case study

**Context:**
- Modern and relevant
- Globally accessible and recognisable
- Realistic and plausible
- Representative of the real place of work

**Structure of a case study:**
- Pre-seen
- 5 variants which are randomly selected
- Within each variant timed sections with tasks for the candidate to complete
Key Features of the Case Study Exam

- Computer based exam at a Pearson Vue centre
- 3 hour exam with a 15 minute tutorial
- No specific marks for industry research information (outside pre-seen information)
- 4 exam windows per year over 5 days
- Human-marked
- Your mark will be reported as a scaled score out of 150, with 80 being equivalent to a pass (not a percentage)
- Students are also expected to reach a minimum threshold score for each competency and integration (approximately one third of the total marks available for that competency).
- Result given in 4 – 5 weeks
CGMA® COMPETENCY FRAMEWORK

TECHNICAL SKILLS
Apply accounting and finance skills
In the context of the business

BUSINESS SKILLS
And lead within the organisation
To influence people

LEADERSHIP SKILLS

PEOPLE SKILLS

ETHICS, INTEGRITY AND PROFESSIONALISM
Levels mapped to career

Strategic Level – Senior manager

Communicates with CFO & senior management team

Decide

Long Term

Core accounting and finance skills
Business acumen
People skills
Leadership skills
You directly report to the BoD who needs your recommendation in dealing with problems and evaluating opportunities.

At the **strategic level**, Fiona advises top level management, as they set the strategy for the business. This means analysing strategic options – the various courses of action the business can take – based on the organisation’s environment and its current strategic position.

Considering risks is paramount; they need to be identified, classified, evaluated and then managed/reported. Strategic options recommended will require justification and she needs to advise on where to source finance for the strategies.
Levels mapped to career

Management Level – Finance Manager

Communicates with CFO & senior business managers

Monitor

Medium term

- Core accounting and finance skills
- Business acumen
- People skills
- Leadership skills
You are a ‘manager’ reporting to the CFO / senior executives who require your advice in dealing with problems and evaluating opportunities.

At the management level, Sally is responsible for monitoring the implementation of strategy. Her focus is on the medium – term. She needs to translate the long-term strategy (decided at the senior management / board level), into more tangible shorter-term goals (to be implemented at the operational level).

Decisions need to be taken about which investments in products, their prices and the long-term assets are needed to ensure they are produced. The costing calculated at the operational level will help with this. The costing information will also enable Sally to analyse and manage the drivers of costs. These decisions cannot be made in a vacuum, they need to consider the environment in which the business operates, as well as key stakeholders. The performance of both individuals and of divisions needs to be measured.

A more detailed consideration of risk is required for this longer term decision making, as well as the options for long-term finance. More advanced financial reporting is required in order to paint a picture of past performance; this may involve group accounts for a number of entities.
Levels mapped to career

Operational Level – Finance Officer

- Communicates with manager & product owners
- Implement & execute
- Short Term

Core accounting and finance skills
Business acumen
People skills
Leadership skills

- 64%
- 14%
- 6%
- 16%
At the operational level, Robyn is responsible for implementing strategy. Her focus is on the short-term. She needs to understand costs and cost accounting, in order for her to start preparing budgets, and to advise about short-term changes in products, volume and prices. Putting budgets together for the business also requires an understanding of how the business is structured. Robyn will need to communicate aspects of the budget, during both preparation and delivery, to non-finance staff.

Robyn prepares financial reports to show how the business is performing. She’ll need to know about the regulatory environment, financial reporting, and business taxation. She may make decisions on working capital, cash and short-term finance.
<table>
<thead>
<tr>
<th>Learning objective</th>
<th>Verbs used</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EVALUATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How you are expected to</td>
<td>Advise</td>
<td>Counsel, informs or notify.</td>
</tr>
<tr>
<td>use your learning to</td>
<td>Evaluate</td>
<td>Appraise or assess the value of.</td>
</tr>
<tr>
<td>evaluate, make decisions</td>
<td>Recommend</td>
<td>Propose a course of action.</td>
</tr>
<tr>
<td>or recommendations</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ANALYSIS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How you are expected to</td>
<td>Analyse</td>
<td>Examine in detail the structure of.</td>
</tr>
<tr>
<td>analyse the detail</td>
<td>Category</td>
<td>Place into a defined class or division.</td>
</tr>
<tr>
<td>of what you have</td>
<td>Compare and</td>
<td>Show the similarities and/or differences between.</td>
</tr>
<tr>
<td>learned</td>
<td>contrast</td>
<td></td>
</tr>
<tr>
<td>Construct</td>
<td>Discuss</td>
<td>Examine in detail by argument.</td>
</tr>
<tr>
<td></td>
<td>Interpret</td>
<td>Translate into intelligible or familiar terms.</td>
</tr>
<tr>
<td></td>
<td>Prioritise</td>
<td>Place in order of priority or sequence for action.</td>
</tr>
<tr>
<td></td>
<td>Produce</td>
<td>Create or bring into existence.</td>
</tr>
<tr>
<td><strong>APPLICATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How you are expected to</td>
<td>Apply</td>
<td>Put to practical use.</td>
</tr>
<tr>
<td>apply your knowledge.</td>
<td>Calculate</td>
<td>Ascertain or reckon mathematically.</td>
</tr>
<tr>
<td></td>
<td>Demonstrate</td>
<td>Exhibit by practical means.</td>
</tr>
<tr>
<td></td>
<td>Prepare</td>
<td>Make or get ready for use.</td>
</tr>
<tr>
<td></td>
<td>Reconcile</td>
<td>Make or prove consistent/compatible.</td>
</tr>
<tr>
<td></td>
<td>Solve</td>
<td>Find an answer to/prove with certainty.</td>
</tr>
<tr>
<td></td>
<td>Tabulate</td>
<td>Arrange in a table.</td>
</tr>
<tr>
<td><strong>COMPREHENSION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What you are expected</td>
<td>Describe</td>
<td>Communicate the key features of.</td>
</tr>
<tr>
<td>to understand.</td>
<td>Distinguish</td>
<td>Highlight the differences between.</td>
</tr>
<tr>
<td></td>
<td>Explain</td>
<td>Make clear or intelligible/state the meaning or purpose of.</td>
</tr>
<tr>
<td></td>
<td>Identity</td>
<td>Recognise, establish or select after consideration.</td>
</tr>
<tr>
<td></td>
<td>Illustrate</td>
<td>Use an example to describe or explain something.</td>
</tr>
<tr>
<td><strong>KNOWLEDGE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What you are expected</td>
<td>List</td>
<td>Make a list of.</td>
</tr>
<tr>
<td>to know.</td>
<td>State</td>
<td>Express, fully or clearly, the details/facts of.</td>
</tr>
<tr>
<td></td>
<td>Define</td>
<td>Give the exact meaning of.</td>
</tr>
</tbody>
</table>

Case studies
(Long and short answer essay questions)
Your exam results

Your CIMA exam results are available to view below.

You can see all your exam results for any CIMA qualifications that you are studying or have studied here. Exam results are grouped so that you can easily see your results against the current Certificate in Business Accounting (CBA) and Professional Qualification syllabuses together under the "CIMA Professional Qualification" tab.

Your exam results are listed below.
Where a breakdown of exam performance by syllabus topic or competency is available you can expand the result to review your detailed performance.

<table>
<thead>
<tr>
<th>Strategic level</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Case Study Exam</td>
<td>[ ] Passed 95</td>
<td>13/03/2015</td>
<td></td>
</tr>
<tr>
<td>F3 Financial Strategy 2015 Syllabus</td>
<td>[ ] CR</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>P3 Risk Management</td>
<td>[ ] CR</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>E3 Strategic Management</td>
<td>[ ] CR</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Management level</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Case Study Exam</td>
<td>[ ] Award</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>F2 Advanced Financial Reporting</td>
<td>[ ] CE</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>P2 Advanced Management Accounting</td>
<td>[ ] CE</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>E2 Project and Relationship Management</td>
<td>[ ] CE</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>
## Strategic level

### Strategic Case Study Exam

<table>
<thead>
<tr>
<th>Syllabus Topic</th>
<th>Grade</th>
<th>Performance Feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical skills</td>
<td>Moderate</td>
<td>Your performance suggests that you recall and can explain some of the technical concepts in the Strategic level syllabus. However, you should review the suggested answer to the case study variant you attempted and identify which topics have been covered in greater detail than you could manage. If you find yourself having to retake this case study, you should maintain your understanding of all three subjects (E3, P3, and P3) with regular reviews of those subjects on CIMConnect.</td>
</tr>
<tr>
<td>Business skills</td>
<td>Moderate</td>
<td>This score reflects your application of some, but not all, of the technical syllabus knowledge to the context of the scenario. You should review the suggested answer to your variant very carefully to see how it applies the topics in the responses. Consider also how the responses draw in information that was in the pre-seen material about Look. You should also broaden your appreciation by reviewing the other four exam variants with the same purpose. See March exams and solutions.</td>
</tr>
<tr>
<td>People skills</td>
<td>Strong</td>
<td>This score demonstrates a strong ability to consider the impact of management accounting on people within and beyond the organisation. Review the suggested answer to see whether there are other factors you could have included in your answer. See March exams and solutions.</td>
</tr>
<tr>
<td>Leadership skills</td>
<td>Moderate</td>
<td>Your responses demonstrated some appreciation of how Look’s senior management team could benefit from management accounting or how your recommendations or observations might impact upon their strategies and actions. However, a ‘moderate’ score suggests that there were a few opportunities missed where you could have made these references. We suggest that you review the published solution thoroughly to identify all such areas. If you have to retake this case study, you should review the other four variants from March and their solutions. See March exams and solutions.</td>
</tr>
<tr>
<td>Integration skills</td>
<td>Moderate</td>
<td>This score level indicates that some, but not all, of your responses were presented with good integration of topics or competences. Look’s</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fail</th>
<th>Moderate</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 1/3&lt;sup&gt;rd&lt;/sup&gt; available marks</td>
<td>➢ Between 1/3&lt;sup&gt;rd&lt;/sup&gt; and 2/3&lt;sup&gt;rd&lt;/sup&gt; available marks</td>
<td>Between 2/3&lt;sup&gt;rd&lt;/sup&gt; and 3/3&lt;sup&gt;rd&lt;/sup&gt; available marks</td>
</tr>
</tbody>
</table>
Challenges

• Exemptions
• Gaps in education
• Marks allocated based on competency framework
• Exam format
• Writing / typing skills
• Time management
How to cover the knowledge gaps?

• Self assessment via Component Learning Outcomes
• 2015 past questions (via CIMAconnect)
• 2010 past paper questions (via CIMAconnect)
• CIMA-Kaplan Study Text
• Tuition Providers
## Study and resources

### Study and resources

- **Starting out**
- **Plan**
- **Your career**
- **Becoming a CGMA**
- **Renew for 2017**
- **Benefits of being a CIMA student**

### Renew for 2017

Your 2017 student subscription fee is now on your MY CIMA account. You will need to pay this fee by 1 January 2017 to continue accessing your student benefits and studying the CIMA qualification.

- **Renew now**

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- **Schedule now**
Resources - CIMAconnect

THE STUDY SHOP

Browse all CIMA approved study products, resources and course on the Study Shop, including courses from CIMAstudy.com and official CIMA study texts from CIMA Publishing and Kaplan. You can search by subject or preferred study method.

Start browsing

Study and resources

The Study Shop
Find a tuition provider
CIMAconnect
Resources - CIMAconnect

Please be advised that we have enforced unique usernames for all users on CIMAconnect. This will allow you to take advantage of improved features in the near future. As a result of this change your username may have been amended. If you would like to change your username please go to the My Profile section and then click Edit.
P1 stresses the importance of costs and the drivers of costs in the production, analysis and use of information for decision making in organisations. The time focus of P1 is the short term. It covers budgeting as a means of short-term planning to execute the strategy of organisations. In addition it provides competencies on how to analyse information on costs, volumes and prices to take short-term decisions on products and services and to develop an understanding on the impact of risk to these decisions.

<table>
<thead>
<tr>
<th>Weight</th>
<th>Syllabus topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>A. Cost accounting systems</td>
</tr>
<tr>
<td>25%</td>
<td>B. Budgeting</td>
</tr>
<tr>
<td>30%</td>
<td>C. Short-term decision making</td>
</tr>
<tr>
<td>15%</td>
<td>D. Dealing with risk and uncertainty</td>
</tr>
</tbody>
</table>
P1 - Management Accounting

Study resources

Title

Study resource type
All resource types

Country
- Any -

Purpose
All purposes

Lead learning outcome

Sort by
Recently created

Apply
Resources

Activity
- Study resources
- Blogs
- Discussions
- Events
- Participants

Table:
- Title
- Study resource type
- Country
  - All resource types
  - Any
- Purpose
  - All purposes
  - --A1. discuss costing methods and their results.
- Lead learning outcome
  - --A1. discuss costing methods and their results.
- Sort by
  - Recently created

Form elements:
- Apply

P1 article - Variance analysis
- Article
  - 0 votes
- Bookmark

September 2014 Q3b
- Past questions and answers
EXAM FORMAT
On the exam day

- Candidate will be faced with 1 of the 5 variants
- Each variant is broken down into timed sections (max of 5, min of 3)
- Each section will include either emails, records of conversations, schedules of information or combinations of all 3
- These give new information that leads on from the pre-seen
- Within each section there will be a task or tasks for the candidate to complete (eg: write a report, write sections of a report, write an email)
- These tasks will be embedded in the body of the email or conversation (more so for strategic than operational)
- The task of tasks might include a number of different elements that pull from different pillars and competencies
- Candidates are NOT expected to perform any calculations
- Each section will move through time
Management Case Study Practice Exam 2

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Management Level Case Study Practice Exam 2

This examination is structured as follows:

<table>
<thead>
<tr>
<th>Section</th>
<th>Number of tasks</th>
<th>Time for section (minutes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>45</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>45</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>45</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>45</td>
</tr>
</tbody>
</table>

The time available in each section is for reading, planning and writing your response(s).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

Click Next to begin the exam.
The following article appeared in the business news:

Would you like to hire a blanket?

Flylong has just released its first full set of annual results, after opening up a new niche in the ever-changing world of air travel. The airline has taken the highly successful low-cost airline model and has applied it to the long-haul routes that have, until last year, been left to the traditional airlines.

I flew from Europe to the USA last week in order to experience the low-cost, long haul business model for myself. The experience was very similar to that of flying with the traditional low-cost airlines. I had to pay extra for everything on top of the basic ticket price, including extra for hold luggage and an in-flight meal (both being strange ‘options’ on a seven hour flight) and I could even pay an additional $3 for the use of a blanket in case I wanted to nap during the flight. Sleep would have been difficult because the seats felt a little cramped, not much better than on a short-haul flight. And there was no in-flight entertainment to pass the time.

My flight was not particularly enjoyable, but it did cost 60% less than the lowest price I could find on a traditional full-service carrier.
The Finance Director sent you the following email:

From: Simone Connelly, Finance Director  
To: Senior Management Accountant  
Subject: Flylong

We need to consider the potential for long-haul services using our business model. We have ignored this possibility because it has never been certain that there is a viable business opportunity.

I need two things from you:

- I have had my assistant prepare some ratios based on Flylong’s annual report, with comparatives based on our own statements and those of National Air. I need you to prepare a report that makes some sense of the ratios, stating any assumptions that you have made.
- I would also like a report that analyses the market environment for low-cost, long-haul air travel. In particular, what are the factors that will determine the potential success or failure for future entrants into this market?

The attachment to this email can be found by clicking the Reference Materials button above.
<table>
<thead>
<tr>
<th></th>
<th>Flylong</th>
<th>Fly-jet</th>
<th>National Air</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue ($ million)</td>
<td>879</td>
<td>1,858</td>
<td>12,018</td>
</tr>
<tr>
<td>Property, plant and equipment ($ million)</td>
<td>897</td>
<td>1,443</td>
<td>4,270</td>
</tr>
<tr>
<td>Operating profit/loss ($ million)</td>
<td>114</td>
<td>(60)</td>
<td>1,145</td>
</tr>
<tr>
<td>Percentage operating profit/revenue</td>
<td>13%</td>
<td>(3%)</td>
<td>10%</td>
</tr>
<tr>
<td>Percentage fuel cost/revenue</td>
<td>11%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Percentage revenue from leisure sector</td>
<td>78%</td>
<td>61%</td>
<td>40%</td>
</tr>
<tr>
<td>Percentage revenue from business sector</td>
<td>22%</td>
<td>39%</td>
<td>60%</td>
</tr>
<tr>
<td>Average revenue per seat ($)</td>
<td>198</td>
<td>146</td>
<td>477</td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>10%</td>
<td>(4%)</td>
<td>18%</td>
</tr>
<tr>
<td>Gearing</td>
<td>42%</td>
<td>20%</td>
<td>70%</td>
</tr>
</tbody>
</table>
The following article appeared in the business news:

Would you like to hire a blanket?

Flylong has just released its first full set of annual results, after opening up a new niche in the ever-changing world of air travel. The airline has taken the highly successful low-cost airline model and has applied it to the long-haul routes that have, until last year, been left to the traditional airlines.

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My flight was not particularly enjoyable, but it did cost 60% less than the lowest price I could find on a traditional full-service carrier.
Write your response to the email from Simone Connelly in the box below.

From: Senior Management Accountant  
To: Simone Connelly, Finance Director  
Subject: RE: Flylong
Example answer screen

Management Case Study Practice Exam 2 - Christian Gagiano

End Section

You are about to leave this section of the exam. You will not be able to return once you have left. Do you want to continue?

Yes  No
Example answer screen
Thank you for completing the Management Case Study Practice Exam 2.
PRE-SEEN MATERIAL
Pre-seen materials

- Dossier of realistic business information
- Available 7 weeks prior to the exam
- Gives background of the business
- Gives industry background
- Includes financial statements of the business plus possibly competitors
- Extracts from annual reports (especially for strategic)
- Articles and industry reports
- Competitor analysis (especially for strategic)
- Costing and budget information (operational and management)
Purpose of the pre-seen

• Introduce the scenario and context
• You must understand:
  • the business
  • their position / role in the business
  • the industry context of the business
  • some of the issues facing the business
• It is NOT for candidates (or tutors!) to question spot
• New information will be fed to you on the day that you will need to respond to!
• Markers can tell when answers have been pre-prepared!
• No need to look much beyond the pre-seen for industry knowledge
Pre-seen

• Think about:
  
  • The style of the information given
  • Who are the key people and what are their strengths/weaknesses?
  • What is the role of the candidate?
  • What are the core strengths of the business?
  • What are the weaknesses of the business?
  • What are the opportunities and threats?
  • Key things to bring out
Pre-seen preparation - analysis

• Understand key affairs of the organisation and its industry
• Understand its products and services
• Identify key personnel, main suppliers, customers
• Analyse financial information (past performance figures, share price, market share ..)
• Use your studies and syllabus knowledge to identify applicable models to help with your analysis
Key messages

• Few (if any marks) for simply stating book knowledge!

• Answers must:
  
  • relate to the information provided either in a schedule or in the body of the text
  
  • be applied to the scenario
  
  • address fully the task at hand
  
  • not include unnecessary introductions or seen setting
The challenges – technical tasks

- No calculations!
- Will need to be able to:
  - explain how the content of a schedule has been prepared
  - interpret the solution from a schedule
  - interpret the information within the schedule
  - explain the accounting treatment for a certain type of transaction and the impact on the financial statements
An approach to technical tasks

- Structure response
- Start with technical knowledge
- Apply this to the information given
- Develop further for wider issues
"Harold Fisher here.

Your report on SeaLode's costs and business model was really helpful. Thank you.

The board would like you to look at their financial statements in more detail and to help us to understand how the capital markets might view our two companies in comparison with one another.

I have sent you a table of ratios through the internal mail.

The directors would also like you to consider the implications of the very low oil prices that have been in force for the past year. These are expected to continue. It looks as if part of the increase in SeaLode’s share price is due to the decrease in the price of oil, and yet Flote does not appear to have benefitted to the same extent if that is true.
One task: write a report

Two Requirements
- Financial performance
- Balanced scorecard

I need you to draft a report for me. Please note the following:

- Compare the financial performance of Sealode and Flote and analyse the implications of the low oil price for the two companies.

- I would like to introduce the balanced scorecard in our company as part of our performance measurement system. I feel that the ratios in the table that I sent would be great for the financial perspective and I would welcome your suggestions for the other three quadrants. We will have to explain why we have chosen the measures in each quadrant to the board, so remember to include that in your report with an explanation of how they will influence behaviours in the company.”
I need you to draft a report for me. Please note the following:

- **Compare** the financial performance of SeaLode and Flote and **analyse** the implications of the low oil price for the two companies.

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<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Flote</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>13%</td>
<td>18%</td>
</tr>
<tr>
<td>Operating profit/revenue</td>
<td>22%</td>
<td>26%</td>
</tr>
<tr>
<td>Gearing</td>
<td>6%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Sealode’s comparatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>Operating profit/revenue</td>
<td>54%</td>
<td>53%</td>
</tr>
<tr>
<td>Gearing</td>
<td>8%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Task requirement

I need you to draft a report for me. Please note the following:

- Compare the financial performance of SeaLode and Flote and analyse the implications of the low oil price for the two companies.

- I would like to introduce the balanced scorecard in our company as part of our performance measurement system. I feel that the ratios in the table that I sent would be great for the financial perspective and I would welcome your suggestions for the other three quadrants. We will have to explain why we have chosen the measures in each quadrant to the board, so remember to include that in your report with an explanation of how they will influence behaviours in the company."
Trigger (b)

Comparison of financial performance

The most immediate and important difference is that SeaLode has a much higher return on capital employed than Flote, which implies much more effective management of assets. I am, however, concerned that SeaLode’s ROCE suspiciously high in 2013 and has remained at exactly the same level in 2014. The figures seem suspiciously high, as if they have been manipulated somehow. One possibility is that SeaLode’s assets have been understated because of an off-balance sheet financing arrangement. The book value of SeaLode’s property, plant and equipment is lower than Flote’s book value for ships. If SeaLode has other items included in PPE other than ships then it may have some assets off balance sheet.

SeaLode’s gearing ratio is very similar to ours, despite the fact that their strong profitability could have supported additional borrowing in order to expand even further. That could support the argument that SeaLode has not reported all of its borrowings in order to lease assets off the statement of financial position.

The difference could also be due, at least in part, to greater efficiency in operations. SeaLode has the same number of ships and no other source of income and yet their revenues are much higher than ours. Perhaps they keep their ships operating at close to full capacity whereas we do not. Or perhaps they use older or less expensive ships than we do so that their asset turnover is much better than ours.

SeaLode’s performance has surged in 2015. Perhaps they enjoyed the benefit of a windfall that has skewed their results. For example, a major government contract that was highly profitable could have boosted their results in comparison to ours.
Oil prices

Flote’s absolute cost of bunker fuel is higher, so any decrease in the price of oil should give Flote a larger benefit in terms of reducing fuel costs. Clearly, both companies will benefit and SeaLode’s ability to operate more efficiently will continue to be an advantage even if bunker fuel is less expensive.

Oil prices could have an impact on demand for both companies’ services. If oil is cheaper then there is likely to be greater demand for tanker shipping and so SeaLode will see an increase in revenue from that. It is possible that the factors that affect oil production will change the supply side. For example, some oil exporters may actually reduce production and so SeaLode may lose some of its existing demand.

Both companies may also see an increase in demand if the reduction in oil prices stimulates global trade. Cheaper oil will reduce many manufacturers’ production costs. Consumer disposable income may also increase, stimulating demand and therefore production of goods. In the short to medium term that will stimulate demand for container shipping and so both companies will benefit from participating in a larger market. SeaLode may see greater need for some bulk carrier cargo, such as iron ore and coal if the decline in oil prices stimulates demand for items such as cars that require more steel.

It may be difficult for Flote and SeaLode to take full advantage of any increase in demand because there is surplus capacity in the shipping market. It will be possible to compete for the additional demand, but it may be difficult to increase prices in doing so because other companies will bring ships out of storage.
## Competency link to syllabus

<table>
<thead>
<tr>
<th>Designed to test ability to:</th>
<th>Competency being tested:</th>
<th>Syllabus lead learning outcome:</th>
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</thead>
<tbody>
<tr>
<td><strong>Task 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>advise on relative efficiencies of two entities</td>
<td>Technical skills</td>
<td>P2 (A1) – evaluate techniques for analysing and managing costs for competitive advantage.</td>
</tr>
<tr>
<td>advise on the merits of a competitor’s business model</td>
<td>Business skills</td>
<td>E2 (A2) – analyse the relationship between different aspects of the global business environment.</td>
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<tr>
<td><strong>Task 2</strong></td>
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<td></td>
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<tr>
<td>advise on financial performance and link to low oil prices</td>
<td>Technical/Business skills</td>
<td>F2 (C1) – evaluate the financial performance, financial position and financial adaptability of an incorporated entity.</td>
</tr>
<tr>
<td>advise on the introduction of a balanced scorecard</td>
<td>Technical/Leadership skills</td>
<td>P2 (B2) – discuss issues arising from the use of performance measures and budgets for control.</td>
</tr>
<tr>
<td><strong>Task 3</strong></td>
<td></td>
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</tr>
<tr>
<td>advise on implications of change for AIS</td>
<td>Technical skills</td>
<td>P2 (C2) – discuss pricing strategies and their consequences.</td>
</tr>
<tr>
<td>advise on business relationships associated with new venture</td>
<td>People skills</td>
<td>E2 (C1) – discuss the effectiveness of organisational relationships.</td>
</tr>
<tr>
<td><strong>Task 4</strong></td>
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<tr>
<td>advise on promotion of environmental benefits</td>
<td>People skills</td>
<td>P2 (D2) – discuss management’s responsibilities with regard to risk.</td>
</tr>
<tr>
<td>advise on challenges of setting up a team to manage a new venture</td>
<td>Leadership skills</td>
<td>E2 (B1) – discuss the concepts associated with managing through people.</td>
</tr>
</tbody>
</table>
## Marking guide

<table>
<thead>
<tr>
<th>Section</th>
<th>Technical Skills</th>
<th>Business skills</th>
<th>People Skills</th>
<th>Leadership Skills</th>
<th>Integration</th>
<th>Total</th>
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<td>advise on the merits of a competitor’s business model</td>
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<td>advise on business relationships associated with new venture</td>
<td>12</td>
<td></td>
<td>1</td>
<td>25</td>
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<tr>
<td>4</td>
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<td>advise on promotion of environmental benefits</td>
<td>8</td>
<td>advise on challenges of setting up a team to manage a new venture</td>
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<td>17</td>
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**Total:**

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<th>20</th>
<th>20</th>
<th>16</th>
<th>6</th>
<th>100</th>
</tr>
</thead>
</table>
Examiner feedback

Most candidates’ answers were well structured here as they used headings for ROCE, operating profit and gearing, which ensured that the financial performance was covered.

Again similarly to task 1, there was a large variation in the quality of the answers. The weaker candidates tended to do little more than re-state the percentages given in the question and stating which company was the better performing.

There was also a large difference in the quality of the discussion on the oil prices. The weaker candidates did no more than state that the reduction in prices would reduce the operating costs/increase profits. The better candidates went on to discuss the impact on global trade, or SeaLode obtaining increased revenues from transporting oil.

The second part of this task was on a topic (the balanced scorecard) that many candidates were familiar with; however much effort was wasted discussing the theory without answering the question that had been set. Some candidates also chose to also discuss the financial quadrant, which was not required.
Preparation

• Best preparation is to practice previous cases!
• Lots of material already available
• Get to grips with the pre-seen for the case
• Do NOT question spot and do NOT use pre-prepared answers to questions
• Make sure that technical knowledge is up to date
• Be careful with mock exams based on the pre-seen
Advice on the day

• Put yourself in the shoes of the person they are supposed to be
• Write in full and clear sentences
• Use short paragraphs and lots of headings – makes it easier to mark
• Don’t write lengthy introductions – there are no marks for this
• Think about who your response is addressed to – what do they already know?
• Always be thinking – have I addressed the task fully?
• Don’t worry about competencies or integration – focus on the task itself
• Most of all .... don’t panic when the clock is ticking down!
Time management in CS Exams

During the time available for a task, you will have to:

- Read the task.
- Identify the requirements to ensure you distinguish separate components within each task.
- **Plan an answer** which covers all the required issues
- Produce the answer
- Check your answer

The cases are written and time allocated to accommodate all of the above activities
Necessary contents in your study plan

• Identify knowledge gaps and a course of action to address them
• Analyse pre-seen
• Look at previous exam variants
• Mock exams (preferably with feedback)
• Ask a tutor events
5 important things to success

- Fully absorb and analyse the pre-seen information in order to step into the assigned role of the organisation on exam day (story of the organisation and its environment / stakeholders)
- Understand the requirements and answer the questions
- Answer planning is very important (1/3 of the allocated time): think more-write less!
- Relate the answer to the pre-seen information and exam scenario all the time
- Time management – answer all the requirements
Useful links

Exam Tutorial

http://www.pearsonvue.com/cima/practiceexams/

CIMAconnect

Resources - CIMAconnect

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- Any -

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The Spice of Life - a guide to blending your knowledge to create a perfect integrated answer in the case studies

Guide to writing a report in the case study exams

Guide to writing an email in the case study exams

February 2015 Operational case study post-exam kit (for all variants)

May 2015 Operational case study post-exam kit (for all variants)

November 2015 Operational case study post-exam kit (for all variants)

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May 2016 Operational case study post-exam kit (for all variants)

August 2016 Operational case study post-exam kit (for all variants)

November 2016 Operational case study post-exam kit (for all variants)

Schedule your February 2017 case study exam now! The closing date is 5pm (UK time) 24 January 2017.