Answer planning

In the second of his series of articles for students preparing for Case Study exams, David Harris discusses answer planning. Should you do a plan? If so, where, and how?

In my previous article, I looked at how the pre-seen material can be used as a revision aid. In doing that, I started to discuss the style of the Tasks and Requirements of a typical Case Study exam. In this article, we’re going into the exam room to see how you can target your answers precisely on answering those requirements by planning your answers.

Why?

Let’s start with the really big question: Why should you do answer plans?

Many of my students still think that planning their answers is a waste of time, that, in some way, it’s a ‘duplication of effort’ – first you put down all your ideas in an answer plan, then you ‘copy it out’ as your answer.

Well, if that’s how you think answer planning works, I can understand that you think it’s a waste of time. There’s a much better way to plan...

Answer planning is a great way to mitigate the biggest risk in any Case Study exam – the risk that you won’t answer the question. There are different ways to ‘not answer the question’. For example: drifting off-topic, answering only part of the question, or simply spending far too little (or even too much) time on something. Using an answer plan can reduce the risk of these faults.

Where?

Before we look at what makes a great answer plan, we need to decide where to plan. In a Case Study exam, you have four options:

1. In your head. Unless you have a brain the size of a planet, I really don’t recommend this. It’s just another way of not planning.

2. On the ‘electronic scratch-pad’. The exam software has a button. It opens a small window, for you to type in. Although you can ‘copy and paste’ from it, to your answer area, the scratch pad window gets in the way. You have to keep moving it, or opening and closing it, so it’s really annoying. You can use it, if you like, but I prefer a different way.

![Figure 1 – Answer area (showing scratch pad)](image-url)
3. On the laminated page. The exam centre will give you a laminated card or booklet on your desk, with a marker pen. It’s for ‘making notes’, apparently. At least it doesn’t get in the way of your answer area. Unfortunately, you can’t ‘copy and paste’ from it, so any planning you do there will be duplication.

4. Somewhere else. You actually have a great place to do your answer plan. Look back at Figure 1. Your ‘answer area’ is perfect for planning, as I’ll demonstrate.

**How?**

I’m going to work through an example of how to plan in the answer area of the exam software, and I’m going to use a Management Level Case Study task. The approach works equally well in any Case Study exam, so you should get a few examples of tasks (from CIMAconnect) and practise this approach.

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Isabel Anderson asks you into her office and says:

> "Please look at this letter that arrived this morning from ABCD, our external auditor.

We have created two companies. The first, Battle, is a wholly-owned subsidiary of Menteen. It was created to produce and film the forthcoming film ‘Battle for Destiny’. The second, Destiny, is a funding vehicle. We believe that it will cost £650m to produce and market the film. We have invested £60m in half of Destiny’s equity and AsiaFilmBank, an unrelated third party, has invested a further £637m in the other half. We hope that the film will be under budget, but we have allowed an additional £50m to cover any contingencies.

Neither Menteen nor AsiaFilmBank have any control over Destiny. The company has a small management team that is responsible for making payments to Battle in order to cover production and marketing costs. Any balance remaining in Destiny’s bank account will be shared equally between Menteen and AsiaFilmBank once filming and marketing are completed.

Destiny will take ownership of the film once it has completed post-production, but will give Menteen Distribution, a 10% subsidiary of Menteen, the right to market the film. Menteen Distribution will remit all net proceeds from the exhibition and distribution of the film to Destiny. These proceeds will be shared equally between Menteen and AsiaFilmBank.

We have used this type of arrangement in the past and have always treated our investment in the funding vehicle as a simple investment. We have never consolidated the funding vehicle because we do not have any control over it, thanks to the very clear documents that our lawyers drafted when the funding vehicle was established.

I need you to do two things for me.

Firstly, give me your thoughts about the applicability to Destiny of IFRS12 Disclosure of Interests in Other Entities, and tell me how it will affect our financial statements if we follow our external auditor’s instructions.

Secondly, explain how the external auditor’s expression of disagreement and subsequent refusal to continue to work for us is likely to affect our share price."

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*Figure 2 – Task from the February 2017 MCS exam (Variant 1, Task 2)*

The first thing we need to do is to précis the requirements of the Task, as a series of headings for our answer. This is also an opportunity to think about time allocation (as it’s a 45-minute task and we have lots of things to do). We can also make sure that we ‘balance’ our answer the way we are supposed to. Considering time, at this stage, will prevent us from writing far too much about one thing, and not enough about another.

Unlike the ‘old style’ exams, where mark allocations were given to each requirement, Case Study exams don’t do this. The only information we have about time (and, by implication, marks) is the 45-minute countdown timer that’s ticking away in the top right-hand corner of the screen.

Look at Figure 2. We have TWO requirements (helpfully beginning with “Firstly” and “Secondly”). I’ll reproduce them here:

> “**Firstly, give me your thoughts about the applicability to Destiny of IFRS12 Disclosure of Interests in Other Entities, and tell me how it will affect our financial statements if we follow our external auditor’s instructions.**"
Secondly, explain how the external auditor’s expression of disagreement and subsequent refusal to continue to work with us is likely to affect our share price.”

We need to make some assumptions about how the marks available for this task may be split across the various things we’ve been asked to do.

Firstly, as this is a 45-minute Task, and therefore a quarter of the exam, we can assume that there are 25 marks available in total. I’m ignoring ‘integration’ marks as these will accrue naturally if you produce a good enough answer.

The basic ‘rule’ is to use an approach that splits the marks ‘equally’. So, with two requirements, we can assume 12.5 marks (let’s just say 12) are available for each of the requirements. So, that’s 12 marks for the paragraph beginning ‘Firstly…’, and 12 for the paragraph beginning ‘Secondly…’.

Next, we need to take a careful look at each of the requirements. Is either (or both) of them broken down any further? Look for full stops, commas or the word ‘and’. I’ve underlined the appropriate things.

The first requirement has that ‘…and…’ in the middle of it. This means that there may actually be two different things to do (let’s call them sub-requirements) in this requirement. Read the first requirement again. Are these really two different things? I think it’s clear that they are. The first sub-requirement is about the “…applicability of IFRS12…”, and the second “…how it will affect our financial statements if…” . So, that’s two sub-requirements which together are worth 12 marks.

Again, let’s assume an equal split – 6 marks each.

We can add the précis to our answer plan, in the answer area...

<table>
<thead>
<tr>
<th>IFRS12 (12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicability to Destiny (6)</td>
</tr>
<tr>
<td>Impact on financial statements of Merteen (6)</td>
</tr>
</tbody>
</table>

You don’t have many formatting ‘tools’ available, in your answer area, but ‘bold’ and ‘underline’ are both there. Look how I’ve used them, to differentiate between my main heading and sub-headings. I’ve also put the indicative mark allocations on my plan. I’ll explain that later.

Now look at the second requirement of the Task. Is it one ‘thing’, or two?

It has an ‘…and…’ in the middle, so that implies two things. However, there’s an ‘…is…’, later, that implies that whoever wrote the question thought that there was only one thing to do (if there had been two, the ‘…is…’ would have been ‘…are…’).

I’m going to assume that it’s all one thing to do but, if in doubt, you should separate the possible sub-requirements out. That’s the safest approach to take, as it mitigates the risk of appearing to have not done everything. My answer plan now looks like this...
Why have I put the mark allocations on my plan? Simply to remind me roughly how to divide my
time between the things I have to do, and to stop me writing ‘too much’ or ‘too little’ about each. I
can’t forget to write roughly twice as much about the auditors as I did about each of the IFRS12 bits,
if my plan says 6-6-12.

The next step is to make a bit of space under each heading. Now you have your ‘skeleton’ plan – a
framework, for your answer, which perfectly matches the requirements of the Task.

You’re now going to ‘brain dump’ your ideas into the gaps. Actually, it’s a bit more scientific than
that, but I’ll look at where your ideas might come from in the next article in this series. For now, I’ll
just fill in some reasonable things that you might include in your answers...

**IFRS12 (12)**

- **Applicability to Destiny (6)**
  - What is an ‘Other Entity’?
  - What is an ‘Interest’?
  - What is a ‘structured entity’?
  - Does Destiny fit those definitions?
  - Conclusion – IFRS12 or not?

- **Impact on financial statements of Merteen (6)**
  - Disclosure or inclusion?
  - If disclosure – shareholders will ‘assume the worst’
  - They may re-calculate accounts, to show a worse position than reality
  - If inclusion – then:
    - Current impact on Financial Position
    - Future impact on P&L

- **Auditor’s response – likely effect on share price (12)**
  - Impact of disagreement – stakeholders will assume we are hiding something
  - Shareholders rely on audit
  - Not ‘true and fair’
  - Shareholders often ‘expect the worst’
  - Losing 2 auditors in 2 years is a bad sign
  - Again, it assumes we are hiding something
  - Shareholders might sell shares
  - Few people would want to buy them
  - Share price would fall
  - Consequences of a share price fall
In the exam, the next step would be to ‘shuffle’ the ideas, both within and between sections, to get them in the best logical sequence. You can do this quite easily, using ‘cut’ and ‘paste’.

Before going any further, it’s a good idea to check your answer plan against the question requirements. Again, it’s all about mitigating risk. Make sure that your plan answers every part of each requirement. Also, make sure that the ‘balance’ is about right – in this case, that the answer to the second requirement can be roughly twice the length of each of the answers to the first two sub-requirements. That matches the 6-6-12 mark allocation, that we assumed earlier. Once you are happy that you’ve mitigated the risk of not answering the whole question, all you have to do is turn each of your ideas into a paragraph.

Coincidentally, every time I produce a report for a client, I use exactly this approach to planning. Oh, and I also did it when writing this article. It’s not ‘answer planning’. It’s just planning. Try it, with a few examples of Case Study tasks.

My next article will look at where your ideas come from, and how to develop each idea into a paragraph.

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