

Developing your answer

In the third of his series of articles for students preparing for Case Study exams, David Harris discusses where your ideas might come from, and how to turn each idea into a coherent argument that should earn marks.

In my previous articles, I've looked at using the pre-seen material to aid revision and how to plan your answers in the exam. If you haven't read them, I suggest that you do so before reading this article.

In my second article, I said "brain dump your ideas" into your skeleton answer plan. But what if you don't have any 'ideas'?

An idea (or 'point') is just something that you want to talk about, as part of your answer to the question. It might be a fact, or an opinion (the two are different – see later), or the result of a thought process. I'll look at the different ways of developing an idea into an answer, later.

Finding 'ideas'

For now, let's just have a look at a chunk of suggested answer, to find the 'ideas' – the basic points being made and developed in each part of the answer...

Deliverables

*Listing individual work packages will give us the **ability to track costs** on an ongoing basis. The knowledge that she will be held accountable in this manner would deter Marta from manipulating the budget to an excessive degree because the board will be alerted when cost overruns are reported. If we discover that the budget is wholly inadequate at an early stage then it will be easier to abandon the project.*

*The nature of film-making means that there will be a **sequence of individual elements** that can be created in any logical sequence. Breaking the production schedule down into work packages is a natural extension of what we do already. It would not be unrealistic to request the opportunity to view footage on an ongoing basis and to review total costs accumulated to date.*

*Managing the costs of these deliverables on an ongoing basis would make it more difficult to **manipulate budget slack**. For example, if a scene goes over budget then it might be tempting to spend less on a subsequent filming in order to keep the budget on track. The danger then is that the overall quality of the film may be impaired by shortcuts that have been motivated by budgetary constraints.*

Figure 1: A few 'ideas' (MCS suggested answer, February 2017, Variant 1 Task 1)

As you can see, in Figure 1, each paragraph of this part of the suggested answer has a different topic. These are the 'ideas' that I'm talking about. It's also interesting to note that each paragraph has three sentences. Why is that interesting? Read on...

Where might these ideas come from? I think there are three different places:

- From your knowledge of the underlying theory/model/framework,
- from the task narrative, or any reference materials attached to the Task, or
- from the pre-seen material.

Ideas from knowledge

Destiny does fall within IFRS 12's definition of a 'structured entity'. Destiny has been structured in such a way that neither Menteen nor AsiaFilmBank can exercise any control over operations. Destiny's management team is required to act in accordance with contractual arrangements rather than the instructions of their shareholders.

Figure 2: An idea based on theory (MCS suggested answer, February 2017, Variant 1 Task 2)

Sometimes, as you can see from *Figure 2*, an idea (or even a stream of ideas) can come straight from something you've learned during your studies. If you attempted the February 2017 Management Case Study, I'm sure that the definitions in IFRS12 were (or should have been) on your revision list.

Sometimes you can generate a whole stream of ideas 'straight from the textbook'. Think about answering questions that include "the advantages of..." or "using the X mode as a framework...". Lists of advantages and disadvantages, benefits and drawbacks, and key features of models, appear in most of the study texts. Be careful, though. The 'textbook' lists are generic – they apply to *most* situations. Remember to test whether each of them actually *does* apply to the situation in the Case Study.

Ideas from reference material

The most obvious approach would be to discuss the changes with Mr Barnaby with a view to a compromise. His concern is not so much that we have removed the ballroom scenes as that he believes the story is being rendered illogical by the alternative. It may be that we can revise the story in different ways in order to achieve the same result without having to restore the costly balls.

Figure 3: An idea based on reference material (MCS suggested answer, February 2017, Variant 1 Task 3)

By reading the Task itself, and any reference material attached to it, you can also generate ideas to go into your answer plan. Look at *Figure 3*. The only way you might know what Mr Barnaby's 'concern' is, is to read it in the reference material. This fact becomes the first idea in your answer. You have to add value to the fact, though. You won't get any marks by just repeating something you've read in the exam.

It might seem unnecessary for me to remind you to read *everything* that you're given in the exam but I still get students telling me that they 'missed' a piece of reference material in a mock exam, or even the real thing! In the top right-hand corner of your exam screen, just below the countdown timer, there's a 'page counter' that shows you how many screens are the 'section'. If there is any 'reference material', there will be a button to open it.

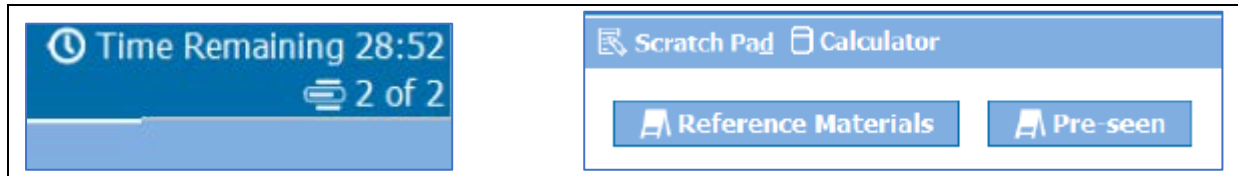


Figure 4: Page counter and reference materials

Ideas from the pre-seen material

The revenues from a film are often spread over several years, allowing for revenues from DVD sales, television rights and other factors such as merchandising. We could overcome those problems to some extent by using simulation to determine the sensitivity of NPV to various estimates and assumptions. We could, for example, build models to predict future revenues using past information about similar films and could analyse the results to determine which of those factors has an impact on the accuracy of the model.

Figure 5: An idea based on the pre-seen material (MCS suggested answer, February 2017, Variant 1 Task 4)

Very occasionally, an idea can come from the preparatory analysis of the pre-seen material that you did at home (see the first in this series of articles). The idea that I've highlighted in *figure 5* may seem like 'common sense' to you, but it was clearly made in the pre-seen material (see *Figure 6*).

Films are generally aimed at the cinema, with the expectation that they will generate a healthy profit from box office receipts. Thereafter the films will be made available to premium satellite and cable television broadcasters before being released for sale on DVD. Low budget films, or films that attract very poor reviews from critics, are often released straight to DVD without ever being shown in cinemas.

Successful films are exploited through merchandising. Products are launched in order to capitalise on the publicity surrounding the film. For example, films aimed at children may be accompanied by a range of toys. Adults may be able to buy clothing and other items that are branded with the film's name or images. The studios will generally own the rights to all images and so can charge a royalty for their use.

Figure 6: The idea came from the pre-seen material (MCS, February 2017)

Hopefully, if you are well prepared for your Case Study, you'll now be able to generate lots of ideas to go onto your answer plans. If you're stuck, remember the three sources illustrated above.

Turning an idea into a paragraph

Once you have a series of ideas in your answer plan, written as a series of words or phrases, you need to turn each of them into a paragraph that might earn two or three marks. To illustrate how you might do this, I'm going to use the answer plan from my previous article (*Figure 7*). It's for the second Task in Variant 1 of the February 2017 MCS exam.

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 Position¹

- Future impact on P&L

Auditor's response – likely effect on share price (12)

Impact of disagreement – stakeholders will assume we are hiding something²

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

Figure 7: My answer plan (MCS, February 2017, Variant 1 Task 2)

I've highlighted two of my ideas in my plan in *Figure 7*, each of which I'm going to turn into a paragraph using a different approach. Firstly, one that seems to work best with ideas that are based on a fact.

This approach is named 'ICI'. Years ago, there was a famous British company with the same name. ICI means:

- Introduce – state the fact.
- Clarify – explain the meaning or consequences of the fact.
- Illustrate – give an example, showing how the meaning or consequence applies, in this case.

Using the ICI approach to developing point 1 from *Figure 7* (though I wouldn't actually write 'Introduce', etc., in the exam) gives me the paragraph shown in *Figure 8*.

(Introduce) If Merteen includes Destiny, the most significant impact on Menteen's financial statements will be from incorporating the non-controlling interest (NCI) into the group accounts. *(Clarify)* This will increase the Group's capital employed. *(Illustrate)* The result, for Menteen, will be an apparent worsening of performance due to a reduction in the reported return on capital employed (ROCE).

Figure 8: ICI

Can you see how my initial idea was 'built' into an argument? Each sentence in the paragraph does something different.

A paragraph is a group of related sentences, about the same idea. A sentence *isn't* a paragraph and, if you have two ideas, give each of them its own paragraph.

A good paragraph should deal, fully and conclusively, with one idea. It shouldn't really be necessary to write two paragraphs about one idea, unless it has two different impacts on the company. I hope you agree that my paragraph does that.

Let's try another one, this time with an idea that's an opinion rather than a fact. Point 2, from *Figure 7*, is a good example.

This time I'm going to use an approach that I call 'why-why?' It's based on answering the question 'why?' twice: Express an opinion, explain *why* it's a valid opinion, then explain *why* it's directly relevant to the circumstances (or why it's particularly important).

(Opinion) The auditor's report may create the impression that the directors are trying to hide something. *(Why do I think this?)* Most shareholders will understand that the directors have some discretion in whether to apply certain accounting standards, and may try to give the most favourable view of Menteen's position and performance. *(Why is it important?)* The possibility of an accounting scandal, or fraud, may prompt shareholders to sell shares and thus lead to a reduction in Menteen's share price.

Figure 9: Why-why?

Again, I hope you agree that my paragraph in *Figure 9* clearly makes, and develops, my point into a logical argument.

A *really* good paragraph, containing three clear sentences each of which 'adds value' in some way, should earn at least two marks in any Case Study exam. It might even earn three, if each sentence develops the idea further and/or adds value in a different way. The last thing we need to look at is the different ways to add value.

Adding value

I think there are five different ways of 'adding value' in a sentence. Obviously, each sentence also has to 'answer the question', to some extent, but here are my five ways:

1. Make a valid point – The first mark is the easiest one. Does your initial point/idea actually look like it begins to answer the question, to some extent?
2. Develop the argument – Move things on. Clarify your point. Explain it more clearly. Say why.
3. Tell them something that they don't know – The Directors are paying you for your thoughts. You won't get a mark for a fact so simple they already know it. What's the impact of the fact? Is there a problem? If so, how bad?
4. Make reference a theory/model (through use of your language) – the whole point of the Case Study is to see you *use* the stuff you've studied. Nobody wants to see you 'name-dropping' theorists. If you do that, you'll just give the appearance of being a student, rather than a qualified accountant. Use 'the language of the model'. There's an example, below.
5. Answer in the context of the organisation/industry – Use the name of the company. Use the name of the (type of) product. Use language specific to the industry. Look like an insider.

I don't think I need to give you more examples of each of the ways to add value. If you look at most of the Figures above, you'll see almost all of them demonstrated. I will, however, give you an example of using 'the language of the model'.

My students often ask me to demonstrate this, after I've criticised them for writing stuff like "In his 5-Forces model, Michael Porter said..." Here's an illustration of how to reference theory without looking like a student.

Around 30 years ago, the business almost failed. It had not developed any new models for a number of years because of a lack of contemporary design expertise. For a while it was able to survive off its reputation and customer loyalty, but eventually sales began to decline. This combined with outdated production facilities and increasing costs threatened the existence of the company.

Figure 10: Low added-value paragraph (OCS May 2017 pre-seen material)

In *Figure 10*, I've reproduced a paragraph from the May 2017 Operational Case Study pre-seen material. The pre-seen is almost always in deliberately 'low-level' language – there's no reference to theories and models, because the writer doesn't want to give too much away. Applying theory is *your* job. In *Figure 11*, I've re-written the paragraph. It now adds more value.

Around 30 years ago, the business almost became insolvent. Most of its product portfolio was nearing the decline stage of the life-cycle because, of a failure to maintain the threshold competence of contemporary design. For a while it was able to survive, due to brand loyalty and relationship marketing, but eventually revenues began to decline. This, combined with production facilities nearing obsolescence, and increasing costs, led stakeholders to lose confidence.

Figure 11: High added-value paragraph (based on OCS May 2017 pre-seen material)

I think I may have produced a slightly extreme paragraph, but I hope you agree that it's still understandable to the average company director. I managed to reference eight (I think) things that are in the Operational Level syllabus, and I think they are all directly relevant to the situation. You

don't need to do that, but any time a sentence looks like 'common sense', consider adding a bit of value from your studies. There's no need to re-write the theory, or mention the author, though.

I hope that this article has been of value to those of you studying for a Case Study exam. It can sometimes seem difficult to work out how to generate professional written work. I think that paragraphs of three sentences, each of which adds value in some way, is the key. However, you still have to answer the question.

In my next article, I'm going to discuss 'Ethics' - how to apply the CIMA Code of Ethics in your case study exam

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