

How to analyse the pre-seen material

In the first of a series of articles for students preparing for Case Study exams, David Harris discusses how to analyse the pre-seen material, and how to use it as a tool to focus your revision of the relevant subjects.

DISCLAIMER: The purpose of this article is NOT to provide detailed analysis of pre-seen material, or to predict what questions may be asked in any of the May 2017 Case Study exams. It is here to introduce to you a valuable revision process. You should try to use this approach, for your Case Study.

I 'teach' Case Study. Well, I say teach, but it's really coaching. Let me explain...

The Case Study exams test competence. The key to success is to develop the necessary skills – things that you can do, rather than things that you know. Yes, you need to know stuff (as we'll see, later in this article), but there aren't really any marks for that in Case Study exams.

Your knowledge is just a tool, which you use to earn marks. You need skills, and they can't really be taught. You have to develop them yourself. Of course a good lecturer can help, but you have to rehearse the skills. A lecturer should be encouraging and guiding your progress, and giving you feedback. That's 'coaching', not 'teaching'.

Anyway, I often get emails from students, a few weeks before coming on one of my courses, asking "what should I do to prepare?" So here's (a rather longer version of) what I recommend. Whether you're planning to attend a course or not, this is the best way to start working towards a Case Study exam...

First find your pre-seen material. This is published about seven weeks prior to the exam week, and can be downloaded from CIMAconnect. Get it as soon as it is published if you can because six-seven weeks is ideal for exam preparation, early enough to be sufficient, but late enough to make you take your preparation seriously.

Having the pre-seen material for weeks means that there's no rush. You can read it as many times as you like, and think about it a lot. But reading it, and thinking about it, isn't really enough. You need to 'get inside' the organisation and its industry. You need to start thinking (and writing) like an insider. Most of all, you need to start to understand the problems and issues of the organisation described.

What you really need to do is 'analyse' the pre-seen material – "examine (something) methodically and in detail, typically in order to explain and interpret it" (Oxford Dictionaries, consulted online: <https://en.oxforddictionaries.com>) – and the best tool to help you is the syllabus. The things you learn for the CIMA qualification aren't just 'stuff you need to know, to pass exams'. They are tools to help you become a good Management Accountant. The purpose of the Case Study exams is to test how far you've progressed along that journey.

Operational Case Study

I call the technique I use a 'Knowledge Audit'. Here's a sample, using the May 2017 pre-seen material for the Operational Case Study. I've taken the first few paragraphs of the pre-seen material, then highlighted and numbered the parts I want to refer to...

Ashworth Lea is a **producer**¹ of **high quality prestigious**² motor cars. Its origins stem from the initial friendship and subsequent partnership of Robert Ashworth and Andrew Lea in the early part of the 20th century. **The production plant is located in Midfield**³, a town in the country of Mayland.

Robert Ashworth, a railway engineer by profession, decided to turn his hand to designing and building the **increasingly rapidly developing**⁴ phenomena - the motor car. Concentrating initially on the engineering and production of the cars, he established **a good reputation**⁵ and achieved early success, selling all the production he could make to **customers in the local area**⁶. His motor cars were judged to be **well engineered, well made, reliable and practical vehicles**⁷. It was this early success which gave him the ambition to **expand production**⁸ and put the business on a more commercial footing.

He quickly realised that a key element in his expansion plan was **promoting and selling the attributes**⁹ of his motor cars, which were built to a high standard and known for their reliability. This led him to seek the assistance of one of his lifelong friends, Andrew Lea, whose background was in pharmaceutical sales. Andrew was keen to take the opportunity to be involved in the **rapidly developing motor car industry**¹⁰ and together they developed **product and sales strategies**¹¹ that would take the company successfully through many years.

The company was consistently associated with **high quality, premium priced, low volume production**, and established a reputation for its range of sports touring cars. This enabled the company to establish a reputation as a 'niche' producer¹² with worldwide sales.

Vehicles with the 'Ashworth Lea' badge became desirable collectors' items and were favoured by contemporary film producers. They **featured as prominent 'stars' in many highly successful films**¹³.

I'm going to use the above excerpt to point you towards what, to me, are the most obvious opportunities to think about the syllabus.

1. They make things. Cars, apparently. What operations strategy do they use? The qualitative stuff about small batch, large batch etc. is in E1. The costing methods would vary, according to the strategy (P1), especially if they use JIT. What about the different variances they might calculate (also P1)? IAS2 Inventories, and inventory management ratios (F1).
2. Quality management (E1). Customer perception of quality in the Marketing Mix (E1).
3. Logistics and supply chain (E1). 'Place' in the Marketing Mix (E1).
4. Product life-cycles (E1). Budgeting and uncertainty (P1).
5. Customer Relationship Management, and Relationship Marketing (E1).
6. Logistics, again (E1).
7. Quality, again (E1). Costs of quality (P1).
8. Operations management again (E1).
9. Marketing (E1).
10. Industry life-cycles (E1).
11. Product development (E1) and accounting for R&D under IAS38 (F1).

12. This sounds like a 'differentiation-focus' strategy. Porter's 'generic' strategies model isn't really in the Operational Level syllabus, though some texts include this model in the marketing section. However, marketing, CRM, brand names...(E1) are all examinable.
13. Promotion in the Marketing Mix (E1)

This is just a starter, of course. You need to do this exercise for the whole of the pre-seen material. You're never going to run out of things to do, preparing for a Case Study.

Management Case Study

Of course, the same technique works at the other Levels. Here are some ideas from the first few paragraphs of the May 2017 Management Level pre-seen material.

The BES Group¹ operates a chain of value retail stores² in country E, its home country³. The group is listed⁴ here and its financial statements are prepared in accordance with IFRS. BES reports in E\$.⁵

BES was established in 1995⁶ when the founders opened their first store in a large town in country E. The company expanded rapidly⁷, acquiring⁸ existing value store businesses for conversion into BES stores and leasing⁹ retail sites.

The company was listed via an initial public offering¹⁰ in 2012.

By the end of 2016, BES had 240 retail stores, including five trial stores¹¹ that were opened in 2015 in neighbouring country X¹².

1. Well, it's a 'group' (F2)
2. The use of 'value' implies a cost leadership or even cost-focus strategy (Porter) (E2). Retailing is also notably competitive (Porter, again, but this time the '5 Forces') (E2). Performance measurement (P2), and the motivation and performance management of 'divisions' (also P2).
3. This seems to hint at possible sales in multiple currencies, but most retailers purchase in different currencies. Treatments under IAS21 (F2).
4. All the Corporate Governance stuff (everywhere).
5. Foreign currency translation again (F2).
6. Industry life-cycle (E1, but relevant here, and earlier studies are still examinable), and the possibility that some management processes are old-fashioned (P2 for budgeting and control, E2 for change management).
7. The risks of overtrading (F1).
8. Acquisitions, and their accounting (F2, though actually F1 – IFRS3) and management/cultural (E2) implications.
9. Leasing, and its accounting (F2 – IAS17) and long-term decision-making (P2) implications.
10. Long-term finance (F2).
11. Project management (E2), as it's a 'trial', and all that foreign currency stuff again (particularly IAS21, if it's a subsidiary?).
12. Supply chain management. I know it's E1, but it's still examinable.

Strategic Case Study

And, just so nobody feels left out, here's the first few paragraphs of the Strategic Level. This pre-seen material begins with a market overview, so there's necessarily a lot of E3 on the first page...

Any drink that does not contain alcohol is classed as a soft drink.

Retail sales¹ of soft drinks in Northland amounted to N\$12.3 billion in the year to 31 December 2016.

Soft drinks can be split into two main categories²: carbonated soft drinks (CSDs) and still drinks. Carbonated soft drinks have carbon dioxide (CO₂) gas dissolved in them in order to create bubbles when they are opened and consumed. Still drinks do not contain CO₂ gas.

CSDs include a wide range of drinks³, such as cola, fruit-flavour drinks and sparkling water. Some drinks contain caffeine to make them refreshing. Some contain a high concentration of caffeine or another stimulant⁴ and additional sugar so that they can be marketed as "energy drinks". Some CSDs are sold as "mixers" because they are generally mixed with alcohol⁵ before consumption. Still drinks include fruit juice and juice-flavoured drinks, still water, dairy-based drinks such as flavoured milk, and squashes, which are sold as concentrates and are diluted with water before drinking.

Care has to be taken with the words⁶ "flavour" and "flavoured" in the food industry. A drink can be sold as, say, "orange flavour" if it tastes like orange juice, even if the flavour has been derived from artificial flavouring. The drink would actually have to contain orange juice in order to be described as "orange flavoured".

Manufacturers⁷ have two main distribution channels⁸ for their products:

- The off-trade comprises bulk sales to major retailers⁹ and wholesalers who supply smaller retailers. The final consumers¹⁰ who buy these drinks will be expected to consume them off the vendor's premises. Off-trade products are packaged¹¹ as cans and bottles¹², ranging from individual servings of 250ml, 330 ml or 500ml up to 1 litre, 2 litre or 3 litre bottles for sharing. Some major retailers sell their own-brand¹³ drinks alongside branded products from manufacturers such as Fizz. Own-brand products accounted for 23% of the off-trade market by value in 2016.
- The on-trade comprises sales to cafes, restaurants, bars and other outlets¹⁴ where consumers are expected to consume the drinks on the premises. Major on-trade outlets will buy directly from the manufacturer¹⁵, but there are also wholesalers¹⁶ who service the on-trade channel.

1. Retailing is notorious for the high 'Bargaining Power of Customers', in Porter's 5-Forces model (E3).
2. The first way to do market segmentation (E1).
3. Managing the product portfolio (E3).
4. I can see several risks here (P3).
5. Complementary products (E3).
6. Legal issues in PESTEL (E3).

7. It's manufacturing, so all the Operations Management stuff (E1), and all the costing and pricing stuff (P1/P2).
8. Supply Chain Management (E3), 'Place' in the Marketing Mix (E1), Customer Relationship Management and Relationship Marketing (E1).
9. Supermarkets are the textbook example of high Bargaining Power' (E3).
10. 'Push' and 'Pull' marketing (E1).
11. 'Place', in the Marketing Mix (E1).
12. Recycling is 'Ecological' in PESTEL (E3).
13. Own branding is a modern trend in marketing (E1).
14. A segment with lower Bargaining Power, perhaps? (E3).
15. CRM and Bargaining Power again (E3).
16. Supply Chain Management again (E3).

Then what?

Of course, regardless of which Case Study you are preparing for, you need to complete the Knowledge Audit by continuing the process for the rest of your pre-seen material.

So, what should you now do with your list of knowledge areas? Well, if you want to see how your list can be used as a revision tool, we first need to look at an example of the sort of thing you might be asked to do, in a Case Study exam. Here's an example of a task, from the Management Level.

"We have purchased the film rights to Birch Barnaby's bestselling novel 'Battle for Destiny'. This will be an epic film set against the backdrop of the Napoleonic wars. There are battle scenes and most of the filming will have to be done on location.

We have put Marta Lines, one of our top producers, in charge of developing this project. She has drafted a budget for discussion by the board. We are hoping that the film will go into pre-production within the next few months, however, we are concerned that Marta has been unduly optimistic in her initial costings. Producers are constantly pitching ideas for projects that they want Menteen to fund, but there is a limit to the number of films that can be financed.

Some producers underestimate the budgeted production costs at this stage, in the knowledge that we will have to make up any shortfall once we are committed. Menteen has always made excellent films, but our project management is often poor and our producers often take advantage of that. I have brought the budget summary for you to look at.

The board has asked me to check that Marta's budget is realistic. As always, that creates a dilemma, because no two films are ever alike. Zero-based budgeting (ZBB) has been suggested as a useful project-based budgetary technique.

Please go through the budget summary and give me your thoughts on the specific items that are likely to pose problems and also your suggestions for dealing with them, including the potential for utilising ZBB.

I would also like you to think about whether we could improve our overall control of projects by applying the PRINCE2 methodology. I am thinking that we might define Marta's performance in terms of delivering agreed outcomes, on time, within budget and conforming to required quality standards.

Please give me your thoughts as to whether defining deliverables, or outcomes, in line with the PRINCE2 methodology would be a suitable basis for managing the production of 'Battle for Destiny'."

Figure 1: February 2017 Management Level Case Study (Variant 1, Task 1)

If you read paragraphs five and six, you can see right away that this task consists of two 'application to' requirements. Testing your ability to apply what you've learned is, after all, the whole point of any Case Study. By the way, both of the above are examples of 'direct application to' requirements – the model or theory is specified in the question (ZBB and PRINCE2, in this case). That's not always the case. Sometimes you get 'indirect application to' requirements, where YOU have to choose an appropriate model or theory. Here's an example, coincidentally in Task 2 of the same Management Level Case Study exam...

From: Ella Lavizani, Director of Legal Services
To: Financial Manager
Subject: Battle for Destiny

Hi,

Two matters that I need your advice on:

Firstly, I have attached a scanned copy of a letter that we received from Birch Barnaby, the author of the book that we are adapting for a film.

Legally, there is nothing that Mr Barnaby can do to withdraw from the contract, but we need him to be happy so that he can do his best work.

Please give me your advice on how we might address the conflict with Mr Barnaby, both in terms of our direct response to his concerns and as to how we might motivate Marta Lines, the film's producer, to ensure that there are no repeats.

The second issue concerns Mitch Bradd, one of the lead actors. Mitch's character is on screen for almost the whole film. Some scenes are set in various palaces and stately homes and the remainder on the battlefield. Mitch portrays a cavalry officer and has to ride a horse, as well as leading a raid to destroy an enemy ship that is tied up in port. Normally, some of the scenes would be acted by Mitch's stunt doubles. Stunt doubles are trained to deal with dangerous shots, such as riding a horse across rough country at a full gallop, or swimming underwater through dangerous currents. Mitch believes that he can do all of his own stunts and he insists that he will not make the film unless we agree to him doing so.

Menteen's insurance company has asked us to evaluate the insured risks associated with this project. How can we demonstrate that we have evaluated and mitigated the risks associated with Mitch doing his own stunts?

Ella

Figure 1: February 2017 Management Level Case Study (Variant 1, Task 2)

In this Task, the 'territory' is specified – 'conflict', 'motivation', 'evaluation and mitigation of risks'. You aren't told which model or theory to reference and apply, so you have to choose. This raises the skill level. It's still about the application of theory, though.

So, should you be trying to apply *everything* in your textbooks to the pre-seen material? In principle, you probably should. In practice, however, there are parts of each syllabus that are difficult or impossible to test in a Case Study exam. You won't be asked to do detailed calculations, for example (though you may be asked to criticise or comment on such calculations, done by someone else in the organisation, presented to you in the exam). Besides, there just isn't enough time to do everything.

I suggest that you use your knowledge audit to cut down on the amount of revision you do. Go through the list of notes you have made, each referencing a model or theory (or perhaps an Accounting Standard) and look up each topic or theory in your textbook. Remind yourself how the 'thing' works, then ask yourself "how might this apply to the company/industry in the pre-seen material?"

I would suggest that you start from the pre-seen, and deal with things in the order you find them, regardless of which syllabus they relate to. Firstly, because this approach makes your revision less boring. You'll be 'jumping around' a lot, but at least there will be some variety in the topics you are revising. Secondly, you need to recognise that integrating knowledge is one of the skills being tested in the Case Study exams. Later in this series of articles I'll be writing specifically about 'Integration', but you may as well start thinking the right way at the beginning of your revision time.

Conclusion

By selectively revising from the textbooks, and applying everything to the organisation and/or industry described in the pre-seen material, you will be rehearsing things that you may be asked to do in your exam. This is a very productive use of your (limited) revision time, and a whole lot less boring than just staring at the pre-seen material, or the textbooks.

In my next article, I'm going to look at how, and where, to do answer plans.

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