

This document should be read in conjunction with the examiner’s suggested answers and marking guidance.

### General comments

This was the thirteenth operational level integrated case study. Overall performance was similar to that of previous sessions and there did not appear to be any evidence of time being an issue.

It is important to remember at the operational level that technical skills are by far the most important element of skills and to score well a candidate needs to demonstrate these skills by **applying** the knowledge they have gained from studying P1 and F1 to realistic business situations and problems. It is evident that technical knowledge is often weak (especially financial reporting standards, linear programming, decision making under conditions of risk, zero-based budgeting and EOQ). In preparation for a case study exam it is **vital** that all candidates revise technical knowledge as a starting point; it is not enough to rely on retaining the knowledge from the OTQ examinations. In addition, there are many examples in previous case studies which show candidates how to approach technical questions; please use these as part of your preparation.

In this session it was pleasing to see that candidates seem to have taken on previous comments about answering tasks linked to variances as answers were generally better. Performance across the skills of business, people and leadership was generally better than for technical skills, which is pleasing. Most candidates demonstrated that they had studied the pre-seen as they were able to make sensible comments about the business when completing less technical tasks. That said, there were times (identified in the detailed comments) where candidates answered the task that they probably wanted to be asked rather than the task they were asked (especially relating to cost of quality).

Most answers were well structured with headings and clearly spaced paragraphs. Whilst there are not specific marks for formatting, there are advantages to setting out answers in this way, not least that it helps the marker to identify the points easily. Having a clear structure should help candidates to ensure that they have addressed all the points that they want to.

As is consistent with other exam sessions, the skill best demonstrated was business skills, closely followed by people skills. Candidates seemed to be most comfortable using their knowledge from E1 to demonstrate applied business and people skills. As noted above, applying knowledge from P1 and F1 to demonstrate technical skills appeared to be more challenging. There were three marks available for integration and those candidates who fully addressed the tasks in an appropriate manner will have scored these marks.

**Variant 1**

Designed to test ability to:		Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Explain different approaches to setting standards for labour hours, the implications of these different approaches on future reported variances and potential reasons for a labour mix variance.	Technical skills	P1 – A1(c) – Apply standard costing methods including the reconciliation of budgeted and actual profit margins, distinguishing between planning and operational variances. P1 – A1(d) – Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain how different levels of investment in another business affect the ability to control its operations and the implications of this on how the investment should be accounted for.	Technical skills	F1 – B3(a) – Explain whether an investment in another entity constitutes a subsidiary or an associate relationship in accordance with relevant international financial reporting standards.
<b>Task 2</b>	Apply knowledge of time series analysis to information provided and explain its usefulness to the business.	Technical skills	P1 – B2(a) - Calculate projected product / service volumes, revenue and costs employing appropriate forecasting techniques and taking account of cost structures.
	Compare and contrast the working capital days for two entities and explain what further information you need to make a fuller assessment.	Technical skills	F1 – C2(a) – Analyse trade receivables, trade payables and inventory ratios.
<b>Task 3</b>	Explain what business process re-engineering is and how it might be applied to the finance function of the business using given examples of processes to aid explanation.	Business skills	E1 – B2(b) – Explain the contemporary transformation of the finance function.
	Explain why absorption costing might not be appropriate and the information needed to implement activity-based costing.	Technical skills	P1 – A1(b) - Compare and contrast activity-based costing with traditional marginal and absorption costing methods.
<b>Task 4</b>	Explain why it is important to reward skilled staff with more than just a good wage and suggestions of measures to help retention of such staff.	People skills Leadership skills	E1 – F2(a) - Demonstrate the HR activities associated with developing employees.
	Explain how to choose between two options from a financial perspective and explain other matters to be considered before making a decision.	People skills Technical skills	P1 – C1(a) – Explain the principles of decision making, including the identification and use of relevant cash flows and qualitative factors.

## Comments on performance

### Task 1

The first element of this task was reasonably well answered, although, a large number of candidates were not able to explain the impact of setting ideal standards on labour variances. However, most candidates were able to give reasons why the labour mix used by each company may be different, even though some candidates compared total labour hours rather than the mix of labour hours. Candidates struggled to explain the reasons for the adverse mix variance with many discussing the reasons why actual hours worked would be above budgeted hours, clearly showing a lack of understanding about what a mix variance represents.

The second element of the task was generally answered well in terms of recognising when there was control. However, in Option B, a few candidates failed to mention the potential for other shareholders to control activities if they acted collectively. The explanation of the accounting treatment, particularly for Option A, was not well done and lacked detail. Many candidates went no further than to state that the investment in the associate would be included on the statement of financial position.

### Task 2

Overall, task two was well answered. In the first element, typically the trend line was not well described, and a surprising number of candidates did not actually state that the overall trend for stemmed glasses was declining whilst that for tumblers was increasing. The interpretation of the seasonal variations was better, with many candidates able to make some good points relating to the company and the industry. Most candidates could explain why the information was useful, although many candidates focused on the usefulness for production scheduling and failed to comment on limitations of the analysis. Please note, that where a task asks about the usefulness or suitability of a particular model or tool for the business, a balanced discussion is required.

The working capital element of the task resulted in some good answers with many candidates discussing the conservative policy of King Crystal. Unfortunately, a number of candidates wasted time repeating the facts of the question without adding value, whilst others failed to address the requirement to identify other additional information which would be useful.

### **Task 3**

The business process re-engineering (BPR) part of this task was not well answered on the whole. Candidates found it hard to apply the principles to the finance function and quite a few candidates merely stated what processes should be included in a credit control function, for example. Many suggestions were just simple improvements to processes and did not encompass BPR.

The activity-based costing (ABC) element of the task was generally well answered although many candidates focused on the advantages of ABC and not why the current absorption method was not appropriate. In terms of the information needed to implement ABC, some candidates found it difficult to suggest sensible activities, cost pools and cost drivers.

### **Task 4**

This task was particularly well answered. In the first part of the task, candidates clearly understood why it was important to reward glassblowing staff and many referred back to the pre-seen to answer this requirement. Some of the suggestions given for potential rewards were a little unrealistic and candidates should be careful to frame their answers around appropriate suggestions for the particular company. This company is highly unlikely to start sending their staff away on luxury holidays!

The second element of the task was very well answered by most and very badly answered by some. Where candidates recognised they were supposed to be using relevant costing, marks were high. However, some candidates used completely the wrong approach, for example by discussing what could be capitalised or what constituted an asset held for sale. Few candidates offered a response to the requirement to consider other matters which should be considered in the decision.

**Variant 2**

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Explain what should be included in an annual corporate social responsibility report and the benefits of formally reporting on these matters.	Business skills Leadership skills	E1 – A2(a) – Discuss the purpose and principles of good corporate governance, the ethical responsibilities of the organization and individuals, and ways of achieving corporate social responsibility.
	Explain how to report environmental costs using the quality framework, including examples relevant to the business.	Technical skills	P1 – A3(a) – Explain the role of environmental costing as part of an environmental management system.
<b>Task 2</b>	Explain expected values, standard deviation and coefficient of variation in the context of a business decision and the impact of different attitudes to risk.	People skills	P1 – D1(b) – Analyse risk using sensitivity analysis, expected values, standard deviations and probability tables. P1 – D1(a) – Discuss the nature of risk and uncertainty and the attitudes to risk by decision makers.
	Explain the factors to consider when setting prices for a new product range.	Business skills	E1 – E1(b) – Apply the elements of the marketing mix.
<b>Task 3</b>	Apply the provisions of IAS 38 to determine how to account for development project expenditure.	Technical skills	F1 – B2(b) – Apply the rules contained in IFRS to generate appropriate accounting entries in respect of reporting performance, accounting for taxation, employee benefits, non-current assets, accounting for government grants, impairment, inventories and events after the reporting period.
	Explain which aspects of the production budget zero based budgeting (ZBB) is most appropriate for and how ZBB could be applied to maintenance costs.	Technical skills	P1 – B3(b) – Discuss alternative approaches to budgeting.
<b>Task 4</b>	Explain when mix and yield variances for raw materials are relevant and give reasons for raw materials variances.	Technical skills	P1 – A1(d) - Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain the nature of holding and ordering costs for raw materials and the suitability of using the EOQ model to manage raw material inventory levels.	Technical skills	F1 – C2(b) - Discuss policies for the management of the total level of investment in working capital and for the individual elements of working capital.

## Comments on performance

### Task 1

In the first element of task one, the majority of candidates made a very good attempt on what to include in a corporate social responsibility report and the benefits of such a report for the business. As a result, many candidates scored high marks here, demonstrating a wide-ranging knowledge of CSR and good application skills. There was evidence of a good use of the pre-seen and the new information given in the task itself, which was great to see.

The second element of this task was reasonably well answered. Most candidates demonstrated a good understanding of the four quality cost categories. However, a sizeable proportion of candidates did not score well because they failed to comment specifically about environmental costs and instead explained general quality costs.

### Task 2

In the first element of this task, although most candidates' discussion demonstrated an understanding of the statistical terms used in the schedule, very few candidates discussed the data in the schedule in terms of the different production methods and mix options. As a result, answers here were often brief and superficial. The affect on the decision of different risk attitudes was either really poorly answered or really well answered (unfortunately the former being the most common). Disappointingly, many candidates failed to even identify that a risk neutral decision maker would base their decision on expected value. There is an apparent lack of technical knowledge here.

The second element of this task was well answered by the majority of candidates, particularly under the headings of competition and customers. Many candidates demonstrated understanding of the implications of introducing a new and cheaper product range into the market. However, comments on cost factors were often brief: a typical answer limited to "the business should make sure that it makes a margin on cost", without discussing how this cost could vary.

### Task 3

Answers for the first element of this task were mixed, and candidates broadly fell into one of the following categories:

- a) Some candidates thought the question was about relevant and non-relevant costs, and went off on the wrong tangent, often discussing sunk costs. The question asked was quite clear, and I suspect that this kind of candidate had no knowledge of the R&D aspects of financial reporting.
- b) Many candidates understood the basic financial reporting principles, but simply listed the capitalisation criteria as bullet points with little or no application. These candidates failed to recognise the significance of the key dates provided in the task such as the date when a viable market for the new products was recognised. This demonstrated a lack of real understanding of the IFRS and poor application.
- c) A minority of candidates understood the implications of the IFRS and could apply it to the scenario provided in the question, thereby earning high marks.

The second element of this task was not well answered and was the most disappointing section of candidates' answers across the whole paper. Many candidates ignored the requirement to explain the aspects that zero-based budgeting (ZBB) is most appropriate for: this possibly demonstrated a lack of knowledge. This was particularly disappointing when clues about discretionary expenditure had been given in the task. The application of ZBB to establishing a budget for maintenance costs was also badly handled by many candidates. Too many candidates simply explained what ZBB meant, and then went onto discuss the relevant advantages and disadvantages of ZBB over incremental budgeting, without even considering maintenance costs. This was not what the task asked and showed a lack of application of budgeting principles to the scenario provided.

### Task 4

In the first element of task four many candidates failed to explain why the variances were calculated and focused entirely on the reason for each variance (which meant marks were lost). Most candidates demonstrated a good understanding of raw material price and mix variances, however, the yield variance was less well understood with a common error defining it as being the difference between the actual output and the original planned output.

In general, candidate answers for the final element of this paper lacked depth, particularly when explaining the nature of holding and ordering costs. Whilst most candidates could explain what the EOQ model attempts to do, many were unable to develop their answers by discussing the major assumptions behind the EOQ model. This was necessary to undertake a meaningful discussion of the suitability of EOQ to the scenario provided. I suspect that rather than candidates not having the right knowledge (of EOQ), they could not apply it to the case study. Consequently, many candidates arrived at a conclusion on the suitability of the EOQ model that could not be supported by their discussions.

**Variant 3**

Designed to test ability to:		Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Apply relevant costing principles to determine whether a one-off contract is financially beneficial.	Technical skills	P1 – C2(a) - Apply relevant cost analysis to various types of short-term decisions.
	Explain how to manage working capital differently to help improve the cash position of the business and potential issues as a result of these changes.	Technical skills	F1 – C2(b) - Discuss policies for the management of the total level of investment in working capital and for the individual elements of working capital.
<b>Task 2</b>	Apply decision making criteria to a decision involving uncertainty.	Technical skills People skills	P1 – D1(c) – Apply decision models to deal with uncertainty in decision making.
	Explain the advantages and disadvantages of outsourcing a specific production activity.	Business skills	E1 – A1(c) – Explain the various forms and functional boundaries of the organization including externalization, shared service centres (SSC) and business process outsourcing (BPO).
<b>Task 3</b>	Explain how the purchase of a new furnace for a foreign country and the receipt of a government grant affect the financial statements for the year.	Technical skills	F1 - B2(b) – Apply the rules contained in IFRS to generate appropriate accounting entries in respect of reporting performance, accounting for taxation, employee benefits, non-current assets, accounting for government grants, impairment, inventories and events after the reporting period.
	Explain how to set up an activity-based costing system and give examples of appropriate cost drivers for a specific activity.	Technical skills	P1 – A1(b) - Compare and contrast activity-based costing with traditional marginal and absorption costing methods.
<b>Task 4</b>	Explain fixed overhead production variances, possible reasons for their occurrence and the limitations of using these variances to manage overhead.	Technical skills	P1 – A1(d) Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain the purpose and benefits of a formal supervisor appraisal process for new trainees.	People skills Leadership skills	E1 – F2(b) – Demonstrate the role of the line manager in the implementation of HR practices.



## Comments on performance

### Task 1

This task was well answered by most candidates. For the first element of this task, almost every answer followed the Finance Director's instruction and explained why each cost or revenue element was relevant or not relevant. In the majority of answers this explanation was correct and detailed and therefore earned all of the straightforward marks. Most answers were also awarded some of the higher marks on offer by discussing the opportunity cost of lost production. Overall this was a significant improvement on previous case study answers on this subject area.

The second element of this task was so well answered, that markers were regularly awarding nine out of the thirteen marks available for the management of King Crystal's working capital. The answers that scored less well did so because candidates ignored the task: suggestions such as, "reducing the credit period allowed to customers", an option that was clearly vetoed by the case scenario, or issuing more ordinary shares earned no credit.

### Task 2

Most candidates made a good attempt at the first element of this task and clearly understood the three decision making criteria: maximax, maximin and minimax regret. It was especially heartening that candidates were able to deal so well with the fact that the payoff table presented costs rather than the usual contribution.

The second element of this task was also well answered and most candidates clearly understood the potential benefits and limitations of outsourcing. The reason that candidates failed to gain high marks was due to a lack of application. For example, while most textbooks list "loss of in-house skills" as a disadvantage of outsourcing, this did not apply in this situation as the analysis to be outsourced was a brand-new process to King Crystal. No credit can be given for answers that directly contradict the facts presented in the case scenario.

### **Task 3**

In the first element of this task there were some truly terrible answers. This was a shock as the subject areas have been examined extensively in previous operational case study examinations and for the well-prepared candidate this should have been a gift. Most answers did not even mention depreciation let alone consider the foreign exchange issues that were needed for a good mark on this task. As in previous operational case study examination, the lack of F1 knowledge, demonstrated by the majority of candidates, was very disappointing.

The second element of this task was also now answered well. Very few candidates actually addressed the requirement posed by the Finance Manager. In previous case study exams candidates have insisted on churning out the steps required to set up an ABC system regardless of the question but, here where this would have been pertinent markers were instead presented with answers that detailed the conditions required for and benefits of an ABC system. There are never any marks on offer for answering a different question to the one set. However, most candidates were able to suggest some appropriate cost drivers and therefore secured some marks in this element of the task.

### **Task 4**

This final task was better answered than the previous one and there were some excellent answers to the reasons for the fixed overhead variances that were relevant to the case scenario given and not merely a regurgitation of study notes. Very weak answers sited an increase in the number of direct labour hours as a reason for the expenditure variance, which demonstrated a complete lack of understanding. However, the most disappointing aspect of this first element was that approximately half of the answers did not even attempt to explain the limitations of the variances to manage overheads. The preseen material clearly stated that fixed costs were absorbed on direct labour hours and it was hoped that this would evoke some consideration of the appropriateness of this, in preparation for the examination.

The second element of the task was quite well answered where candidates knew what a supervisor/appraise appraisal is: alas for many this was not the case. A large number of answers described a situation where a supervisor sat next to a trainee each day and monitored the work. These answers could be awarded very little credit.

**Variant 4**

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Analyse a cost / volume graph and probability information to make a decision regarding which supplier to accept and explain the limitations of using expected values in decision making.	Technical skills People skills	P1 – D1(b) – Analyse risk using sensitivity analysis, expected values, standard deviations and probability tables.
	Explain how the marketing mix for a new product is different to that for existing products.	Business skills	E1 – E1(b) - Apply the elements of the marketing mix.
<b>Task 2</b>	Explain how to assess the creditworthiness of potential new customers and the issues to consider when assessing credit limits and monitoring receivables.	Technical skills	F1 – C2(b) - Discuss policies for the management of the total level of investment in working capital and for the individual elements of working capital.
	Explain the purpose of budgeting in the context of the business.	Technical skills Leadership skills	P1 – B1(a) – Explain the purposes of budgets, including planning, communication, coordination, motivation, authorization, control and evaluation, and how these may conflict.
<b>Task 3</b>	Apply limiting factor analysis to a short-term production decision where there is a single limiting factor. Explain the implications of a further shortfall in and the shadow price of the limiting factor.	Technical skills	P1 – C2(c) – Analyse product mix decisions, including circumstances where linear programming methods are needed to identify 'optimal' solutions.
	Explain the CSR and ethical considerations in respect of a course of action suggested by a senior manager.	People skills	E1 – A2(a) – Discuss the purpose and principles of good corporate governance, the ethical responsibilities of the organisation and individuals, and ways of achieving corporate social responsibility.
<b>Task 4</b>	Interpret sales price, mix and quantity variances.	Technical skills	P1 – A1(d) - Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain how to account for the company's brand and a purchased licence asset in the financial statements in accordance with IAS 38.	Technical skills	F1 – B2(b) – Apply the rules contained in IFRS to generate appropriate accounting entries in respect of reporting performance, accounting for taxation, employee benefits, non-current assets, accounting for government grants, impairment, inventories and events after the reporting period.

## Comments on performance

### Task 1

Many candidates answered the first part of the task well, were able to explain the graph for the two specialist web retailers and identified that specialist A had a higher fixed cost but lower variable cost per unit (or vice versa for specialist B). Most candidates were able to identify that specialist A was a better option and justified their decision with the numbers on the graph and knew that expected value should be used in a risk neutral decision. The limitations to EV was generally well answered, although a little brief on occasions for some candidates.

Answers to the second element of the task were very mixed regarding the differences between the marketing mix for the Heart of Glass range and the King Crystal's usual products. Many answers were too brief and focused on general comments about the 4 P's. Better candidates were able to apply the 4 P's to the scenario and explain why a different approach could be used. Few answers recognised the shorter life cycle of the Heart of Glass range and how promotion via TV commercial breaks would be useful.

### Task 2

The first element of this task was generally well answered; however, many candidates spent too much time discussing the financial statements and various credit checks that could be done, rather than exploring different ideas such as credit references. Most candidates appreciated that a time frame to pay had to be established which should be amended over time, but many ignored the amount of credit and the customer size. Most were able to say we needed to monitor balances but didn't expand their answers to explain how this should be done.

The second element of the task was generally poorly answered. Many candidates produced text book answers of why budgets were important and focused on the use of them for variance analysis. Few expanded their answers to incorporate the scenario by discussing how we could use the budget to plan resources or how we could use them to control and evaluate.

### **Task 3**

The first element of this task was generally well answered with most candidates demonstrating understanding of the principles of contribution per limiting factor and ranking. Many candidates correctly identified that there was a shortfall of 12 hours to meet minimum demand which would result in some customers being disappointed and impact our reputation. However, few answers went on to discuss the maximum we would pay the artisan master glassblower in order to satisfy the minimum demand; some candidates even went on to say the staff should be persuaded to work overtime to cover the 12 hours short, despite the task being explicit on this! Very few answers discussed any element of shadow pricing, although some did mention that the G\$80 cost was less than the lost contribution, hence scoring some marks.

The second element of the task was generally well answered with many candidates able to discuss both the CSR and ethical issues of asking staff to work excess overtime. Many discussed the legal implications of fines, impact on reputation and the impact on the staff health if asked to work illegally and the integrity/professional issues of changing records to enable them to do this. However, few spotted the self-interest threat of the bonus.

### **Task 4**

The first element of this task was well answered. Most candidates were able to discuss lots of reasons for the variances and related them well to the scenario, such as the impact of the limited inventory availability and overtime issued on the adverse quantity variance.

The second element of the task was either really well or very poorly answered. Most candidates were able to explain the rules for the capitalisation of intangible assets and correctly identify that the brand could not be capitalised, and the licence could. However, the better answers went on to explain why we couldn't capitalise the brand (such as difficulty of obtaining a reliable measurement) and how we met the criteria for the licence due to the probable benefit it would generate and the reliable measurement for the price we purchased it for. The better answers went on to explain the amortisation of the licence over its useful life and future impairment reviews if the TV series was cancelled early.

**Variant 5**

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Explain the appropriateness of four different suppliers from a financial perspective.	Technical skills Business skills	F1 – C2(a) – Analyse trade receivables, trade payables and inventory ratios.
	Apply Cousin’s strategic supply wheel to the supply of a key raw material.	People skills	E1 – D1(b) – Demonstrate how supply chains can be established and managed.
<b>Task 2</b>	Explain how quality issues should be reflected in a cost of quality report.	Technical skills	P1 – A2(a) - Discuss the role of quality costing as part of a total quality management (TQM) system.
	Explain how the fundamental principles of TQM (senior management support, prevention, continuous improvement and participation by all) apply to the business.	Business skills	E1 – D2(b) – Explain how relationships within the supply chain can be managed.
<b>Task 3</b>	Explain how repair costs, impairment of the furnace and the acquisition of a new furnace will be reflected in the financial statements.	Technical skills	F1 – B2(b) – Apply the rules contained in IFRS to generate appropriate accounting entries in respect of reporting performance, accounting for taxation, employee benefits, non-current assets, accounting for government grants, impairment, inventories and events after the reporting period.
	Explain a linear programming graph and how to interpret it.	Technical skills People skills	P1 – C2(c) - Analyse product mix decisions, including circumstances where linear programming methods are needed to identify ‘optimal’ solutions.
<b>Task 4</b>	Explain possible reasons for labour rate, idle time, mix and yield variances.	Technical skills	P1 – A1(d) - Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain the concepts of responsibility accounting and controllability with reference to the accountability of a specific production manager.	Technical skills Leadership skills	P1 – B4(a) – Discuss the concept of the budget as a control system and the use of responsibility accounting and its importance in the construction of functional budgets that support the overall master budget.

## Comments on performance

### Task 1

The first element of this task was very well answered by a minority of candidates, although the majority gave average answers. Most candidates were able to comment sensibly on the receivables and payables ratios, although it was disappointing how many candidates either identified the suppliers' payable days as equivalent to the credit terms King Crystal might be offered or failed to make the connection to credit terms at all. Fewer candidates made sensible comments about the quick ratio (a significant proportion ignoring it altogether) and poorer answers failed to comment on the implications of the time trading and size of the business. Most candidates though did comment on foreign exchange issues, some even went as far as discussing how the devaluation would benefit us, which gained good marks.

The second element of this task was not well answered on the whole. Despite being given Cousin's supply wheel spokes, many candidates did not seem to know how to apply these to the scenario. Most candidates identified that quality over cost was important but comments about the relationship failed to mention the collaborative approach. Most did not provide examples of the performance measures and believed that the competencies & skills related to the supplier not King Crystal. Points made on the organisational structure were vague and could have applied to either the supplier or King Crystal.

### Task 2

In the first element of this task most candidates demonstrated good understanding of the quality cost framework. However, some candidates answered the task that they were expecting rather than what had been asked: instead of focusing on how the specific production issues and new tests would affect the cost of quality report, they gave generic examples of quality costs. This approach did not score well. In addition, many candidates failed to describe the nature of the costs that should be included such as staff time and the cost of new equipment. That said, there were a number of very good answers to this element of the task.

The second element of the task was well answered. Candidates demonstrated a clear understanding of the TQM principles identified in the task and most answers were clearly laid out with good application. Where a candidate did not score well, this was usually due to a lack of application to the specifics of King Crystal.

### **Task 3**

Answers for the first element of task three were generally poor, which given that this was a technical F1 task, is no longer surprising, although disappointing. Yet, again demonstration of technical knowledge was poor. In respect of repair expenditure, few candidates went beyond a comment that it could not be capitalised; clearly without justification linked to the financial reporting standard, marks cannot be awarded. The impairment query was equally poorly answered with many candidates failing to address it all. For the new asset, answers were better with many candidates commenting that directly attributable costs could be capitalised and then commenting appropriately on the information given.

The second element of this task was very poorly answered. Clearly candidates were not prepared for a linear programming question (despite such questions having been asked in previous sessions). The task was not difficult as all that was required was an explanation of the graph, identification of the optimal solution and comments on binding constraints.

### **Task 4**

The first element of this task was well answered: candidates demonstrated good understanding of what the variances meant and gave good reasons for what had caused them. Of all the variances, the yield variance was the least well explained and some candidates did discuss material variances rather than labour, perhaps indicating a lack of knowledge. There were some very good answers here, which is pleasing.

The second element of this task was also well answered. Most candidates clearly understood responsibility accounting and were able to comment sensibly about who was responsible for each of the variances. Typically, candidates that did not score well did so because they failed to comment on the variances.



## Tips for future candidates

There are a number of key points to take into account when preparing for future Operational level case study examinations. These remain the same from previous reports but are worthy of repetition. These points are:

- Application to the scenario is key to achieving a good mark. Simply reproducing rote-learned answers or pure knowledge of a topic area will score very few, if any, marks. Similarly taking a scatter gun approach to an issue and commenting on everything that you know about it from a theoretical point of view will score few marks.
- It is important to take time to plan your answer so that you are able to apply your knowledge to the specifics of the case. I suggest that for certain tasks you plan your answers in the answer screen itself. For example, if you are asked for the potential benefits and problems of outsourcing a particular function, I suggest that you first note down headings for benefits and problems. Then under each heading list your benefits and problems; these will become your sub-headings. Then you can write a short paragraph under each sub-heading. This will allow you time to think about all of the points that you want to make and will help to give your answer a clear format. Ultimately, it should save you time.
- Preparation on the pre-seen material is vital. Ensure that you are very familiar with the business, especially the financial information, before the exam as this will help you with applying your knowledge and will save you time. Similarly, an awareness of the industry that the business is in will help you to think of the wider issues that might impact on decisions that you could be asked to comment on.
- The information given to you within the case study itself, especially financial information, is given to you for a reason. Make sure that use this information in forming your answer. For example, reasons for variances are often given to you in the unseen information, the skill is to pick this out and use it.
- The case study examination covers all of the P1, E1 and F1 syllabi and therefore no topic area is off limits to the examiner. Make sure that you do not leave topic areas out of your preparation. Given previous comments in this report and other reports, it is evident that F1 knowledge of financial reporting standards is often poor as well as linear programming in P1. Please pay special attention to this and the technical areas of P1.
- The Operational level case study examination is weighted 64% technical skills. It is really important that your technical knowledge is comprehensive so that you can apply it to the scenario you are faced with.
- Be prepared to give balanced arguments or appraisals. Quite often you will be asked whether a tool or technique is appropriate or suitable or useful to the business – it is just as likely to be appropriate / suitable / useful as not appropriate / not suitable or not useful.

- Make sure that when practicing you answer all elements being asked for. The weighting of the marks will be evident from the time given for the task overall and the number of separate elements within each task.
- Be aware of using unsupported assertions. Making statements such as, “this improves decision making”, “this graph is essential” or “planning is enhanced” is not enough to gain any marks. Candidates must explain “how” the model or technique achieves these assertions. Wild enthusiasm is not enough without sound and reasoned explanation. Answers can often be improved by adding “because of ....” at the end of a sentence to explain why something is as it is.
- Please take care over how your answer looks. Some answers are very difficult to read because of poor spelling and grammar. Whilst this examination is not a test of English, it is important that answers are presented well so that markers can see that you have demonstrated clear understanding of the issues.