

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

General comments

This was the fourteenth 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.

In this session performance was best for the E1 elements and business and people skills. Candidates demonstrated good understanding of the pre-seen and were able to use the new information given to them in the case to answer tasks linked to these skills. However, as in previous sessions, technical skills were often not well demonstrated.

Technical skills are by far the **most** important element of skills at the operational level. To score well a candidate **must** demonstrate these skills by applying the knowledge gained from studying P1 and F1.

There was an improvement in the answers and application of tasks linked to IAS 16. Candidates are also increasingly confident in their answers in respect of variances, relevant costing and decision making where there is uncertainty. However, for this session technical knowledge and application in respect of IFRS 8, IAS 2, accounting for associates, linear programming, decision making under conditions of risk, sensitivity analysis, activity-based budgeting and EOQ was generally weak. 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, many examples in previous case studies which show candidates how to approach technical questions; please use these as part of your preparation.

Answers were well structured with headings and spaced paragraphs. Whilst there are no 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 which was demonstrated the best was business skills, closely followed by people skills. Candidates seemed to be comfortable using their knowledge from E1 to demonstrate applied business and people skills, however, candidates failed to apply their knowledge from P1 and F1 to demonstrate technical skills, for which marks would have been lost. 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:
Task 1	Compare and contrast two service options and explain the relevant and irrelevant costs and benefits of outsourcing.	Technical skills Business skills	P1: C2(a): Apply relevant cost analysis to various types of short-term decisions.
	Explain the impact of different payment terms on trade payables and working capital and how this affects the decision about outsource partners.	Technical skills Leadership skills	F1: C2(b): Discuss policies for the management of the total level of working capital and for the individual elements of working capital.
Task 2	Explain the criteria in IAS 16 and IAS 38 for the capitalisation of expenditure and apply these criteria to explain which elements of expenditure on the launch of a new service should be capitalised and which should be written off to profit or loss. Also, explain the factors which affect the size of depreciation and amortisation charges.	Technical skills	F1: B2(b): Apply the rules 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 the steps involved in using activity-based budgeting and how this could improve control and variance analysis in the business.	Technical skills	P1: B3(b): Discuss alternative approaches to budgeting.
Task 3	Explain how to use social media and viral marketing to promote a new service.	People skills Leadership skills	E1: E2(b): Explain the role of emerging technologies and media in marketing.
	Explain how to use sensitivity analysis to make a decision about the level of marketing spend and how probability information would help make this decision.	Technical skills	P1: D1(b): Analyse risk using sensitivity analysis, expected values, standard deviations and probability tables.
Task 4	Explain and provide examples of conformance and non-conformance costs related to a new service. Explain the benefits of reporting quality costs.	Technical skills	P1: A2(a): Discuss the role of quality costing as part of a total quality management (TQM) system.
	Explain how to carry out an upgrade to IT systems to ensure staff acceptance and to limit the chance of failure.	Business skills People skills	E1: C2(b): Explain the role of emerging technologies e.g.: Big Data, digitization and their uses.

Comments on performance

Task 1

This task was well answered by most candidates. For the first element of the task, almost every answer followed the Finance Manager's instruction and compared the service agreements offered by the two potential outsourcing partners. Most candidates came to a well-reasoned recommendation, the majority choosing Swift as they correctly identified that quality of service was of paramount importance. This demonstrated an ability to react to and utilise new information presented during the case examination and was duly rewarded. The task then asked for a written analysis detailing the costs relevant to the decision to outsource. Almost every candidate was able to recite that a relevant cost was: a future cost, an incremental cost and a cash flow, but a minority clearly had no understanding of how to apply these principles to the schedule presented.

The second element of this task was answered less well, as many candidates failed to produce an answer with enough length and detail to gain good marks. Having said that it was gratifying to see that many candidates could use their knowledge of the pre-seen to enhance their answers and explain the difference that the two payment terms would have on the trade payables and working capital of the company.

Task 2

In past sessions, tasks testing the accounting standards in the F1 syllabus were usually badly answered, demonstrating a lack of technical knowledge. I am pleased that this was not the case for this variant as there were some excellent answers, many of which earned full marks. Most answers justified the decision to capitalise certain costs (or not) using the correct reasons. The minority of candidates who: simply stated, "capitalise", or, "don't capitalise", with no justification, failed to address all aspects of the question, or churned out the pre-learned reasons for capitalising development costs, earned minimal marks.

The second element in this task, in contrast, was answered very badly. Many candidates failed to address the task at all, preferring to explain that Mansako used incremental budgeting and not activity-based budgeting (ABB), while others confused ABB with zero based budgeting. Where candidates did address the task, their knowledge of the steps required for ABB was lacking which therefore hampered their ability to score well when explaining its usefulness.

Task 3

In the first element of this task, there were some very good answers where candidates were able to draw on their knowledge of the pre-seen material, identifying the target market as likely to use technology and therefore social media sites regularly. They were also able to detail how social media could be used, both in terms of the different types of campaign and in terms of feedback, research communication and monitoring. Answers for the marketing mix were poor, with limited application to the company, or listing of all the possible promotional activities that Mansako could engage in and limited reference to social media.

The second element of this task produced some very poor answers. It was clear that most candidates did not know what sensitivity analysis is. In the first 20 answers marked, there were submissions that explained: maximax, maximin and minimax regret, linear programming and linear regression and some that just observed that a large advert “is best”. Sensitivity analysis has been tested in operational case study examinations in the past and candidates should be familiar with it. However, most candidates were able to explain how probabilities of a good or poor response would be useful and so were able to gain some credit in this section.

Task 4

This final task was answered fairly well, largely because it contained a task to explain and apply quality costs. Once again, candidates that scored well were those who were able to apply the new information presented and explain which of the costs mentioned were conformance/non-conformance costs, and why. These candidates also scored well on the integration marks available.

Answers for the second part of this task were mixed. Almost all candidates could explain system changeover using a parallel run, but few could explain pilot adequately and a significant number of candidates confused it with a direct changeover. Many answers omitted part of the task which included how the staff concerns should be managed and the other factors that should be considered. Those that did answer scored well by simply addressing the task and making practical suggestions. It was difficult to award marks for detailed explanations of Lewin’s fore field model or Kotter and Schlesinger’s change management when they were not applied to the context of the case.

Variant 2

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
Task 1	Explain payoff tables and apply maximax, maximin and minmax regret decision criteria.	Technical skills	P1: D1(c): Apply decision models to deal with uncertainty in decision making.
	Explain the impact of lean manufacturing and the usefulness of quality circles.	Business skills People skills	E1: D2(b): Explain how relationships within the supply chain can be managed.
Task 2	Explain how time series analysis could be used to forecast demand.	Technical skills	P1: B2(a): Calculate projected products/services volumes, revenues and costs employing appropriate forecasting techniques and taking account of cost structures.
	Explain how market research methods could be used to determine the impact of a marketing campaign and suggest one idea of how to adjust the marketing mix for the new campaign.	Business skills People skills	E1: E2(a): Apply the main techniques of marketing.
Task 3	Identify reasons for adverse cost variances and explain how these costs might be controlled.	Technical skills Leadership skills	P1: A1(d): Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain how the Economic Order Quantity model for inventory management could be applied to the business and its usefulness.	Technical skills	F1: C2(b): Discuss policies for the management of the total level of working capital and for the individual elements of working capital.
Task 4	Explain the relevant costs and benefits of a decision, which costs and benefits are most significant and additional information required before a decision can be made.	Technical skills Business skills Leadership skills	P1: C2(a): Apply relevant cost analysis to various types of short-term decisions.
	Apply the rules in IAS 2 to three options for the use of excess inventory and explain the impact on profit and cash flows.	Technical skills	F1: B2(b): Apply the rules 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

The first element of this task was reasonably well answered. Most candidates clearly knew the maximax, maximin and minimax regret approaches to decision making and were able to apply these to the payoff tables. However, when interpreting the payoff tables, a significant number of answers were brief and made little reference to under or over supply despite the task clearly asking for this.

In the second element of this task most candidates were able to identify how a lean approach to production would impact Mansako and could identify the types of waste that could be reduced. Additionally, most candidates could identify what a quality circle was and the benefits but did not score highly here because they failed to address potential issues that the implementation of quality circles would present to the company. As noted in previous reports, where asked about the usefulness of a concept or model, answers need to be balanced in terms of both potential benefits and issues.

Task 2

In order to score high marks in the first element of this task, answers needed to show application to Mansako. Most candidates were able to do this fairly well when interpreting the time series information, particularly picking up on the clear seasonality of the products as well as the trend. Some candidates did however give examples of reasons for seasonal and cyclical variations that were nothing to do with Mansako. Again, similar to the quality circles task above, candidates were asked to discuss issues regarding time series and many only looked here at the positive benefits without addressing the limitations.

In discussing ways that Mansako could assess the impact of their marketing campaign in the second element of this task, most candidates were able to discuss a range of suggestions and generally answers were good. However, candidates were asked to suggest one idea based on the marketing mix that related to the concept of gifting. In order to score highly candidates needed to demonstrate that they had thought about the gifting concept and presented an idea that was relevant to this. Unfortunately, most failed to do this. Many answers merely gave an overview of the four P's and although a considerable number of candidates did apply this to Mansako, in many cases this appeared to be pre-prepared and not related to the new information in the task about gifting.

Task 3

In the first element of this task candidates were asked to give reasons for the cost variances and most candidates recognised that these were mostly due to the high levels of inventory: candidates scored well here. Most were also able to come up with some good ideas about how to reduce costs and many also linked this to activity-based costing well in terms of identification of cost drivers.

In the second element of the task, candidate answers were often too brief to score well. Most candidates did not address the extra information required such as annual demand and holding costs. In assessing the usefulness, again many candidates concentrated on the benefits, without considering the shortfalls of the model which when applying to the situation at Mansako, were significant.

Task 4

In the first element of this is task, most candidates scored well, clearly demonstrating a good understanding of relevant costing principles. However, some candidates, although clearly recognising that lost income and potential damage to brand were significant, stated they were not relevant as they could not be quantified. Most candidates did not consider other information that would be required in order to make a final decision. Here, being able to quantify things like brand damage and lost future sales was important and could have been discussed.

The financial reporting element of this task was not answered well. Most were able to state that inventory should be stated costed at the lower of cost and net realisable value and were able to define these. However, many seemed confused over the impact on the financial statements, merely stating things like the revenue would increase cash flow, without addressing the impact of writing down inventory to net realisable value. Most candidates were not able to apply IAS 2 to the three alternative options and as such marks here were not high.

Variant 3

Designed to test ability to:		Competency being tested:	Syllabus component learning outcome:
Task 1	Explain a linear programming graph, discuss the appropriateness of the optimum product mix. Explain how to determine the maximum amount to pay for additional resources and suggests ways to overcome the resource constraints.	Technical skills Leadership skills	P1: C2(c): Analyse product mix decisions, including circumstances where linear programming methods are needed to identify 'optimal' solutions.
	Discuss non-statistical and statistical methods to forecast sales of a new product range.	Business skills People skills	E1: D2(a): Apply tools and concepts of operations management to deliver sustainable performance.
Task 2	Explain the approach to use to decide whether to make or buy products where there is a limiting factor. Suggest other factors to be considered.	Technical skills Business skills Leadership skills	P1: C2(a): Apply relevant cost analysis to various types of short-term decisions.
	Explain how to determine the amount of surplus cash available for investment, the factors to consider when deciding how to invest and potential investment methods.	Technical skills	F1: C1(a): Describe the sources of short-term finance and methods of short-term cash investment available to an entity.
Task 3	Explain digital marketing and discuss the potential benefits of different media.	Business skills People skills	E1: E2(b): Explain the role of emerging technologies and media in marketing.
	Evaluate marketing packages based on expected value, standard deviation and co-efficient of variation, advise on the use of expected value for decision making and explain how our attitude to risk would affect the decision.	Technical skills	P1: D1(b): Analyse risk using sensitivity analysis, expected values, standard deviations and probability tables.
Task 4	Explain material and labour mix and yield variances, suggest reasons why these have arisen and explain their inter-relationship.	Technical skills	P1: A1(d): Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain the recognition and treatment of government grants in the financial statements.	Technical skills	F1: B2(b): Apply the rules 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

The first element of this task was not well answered. A large number of candidates were unable to explain the linear programming graph or how it would be used to make a product mix decision. Few made comments on whether the optimum product mix was appropriate. Candidates also confused the shadow price and the maximum amount to pay for a unit of additional resource and whilst a number of candidates made some reasonable suggestions of how the resource constraints could be overcome, others failed to answer this part of the task. Candidates need to read the task carefully to ensure that parts are not missed and if they are unable to answer one part of the requirement they should still attempt the other parts.

The second element of the task was reasonably well answered with most candidates able to explain different statistical and non-statistical methods of forecasting. There was however some confusion as to what constituted a statistical method and a non-statistical method. Some candidates avoided this issue by just giving a number of methods with no attempt to differentiate between them. In some cases, answers tended to be rather short and lacking in detail which was possibly a result of poor time management with too much time being spent on the linear programming task. Candidates should be aware that each element of a task carries equal marks and ideally should be allocated equal time.

Task 2

Overall, this task was well done. In the first element, most candidates recognised the importance of considering the limiting factor when making the make or buy decision. Some candidates ignored the make or buy element of the decision and described the approach to take when dealing with a limiting factor and said that the decision should be based on the contribution per unit of the limiting factor. This was despite candidate being clearly asked to explain the figures in table 3. Good answers were given on the other factors to consider before making the decision.

The short-term investment element of the task resulted in some good answers on how to establish the amount of a cash surplus and the factors to consider before deciding how to invest the surplus. Some candidates ignored the fact that the cash would be required in the short-term for expansion and suggested long term methods of investment.

Task 3

In the first element of this task there were many high scoring answers with good references back to the pre-seen and excellent examples which were relevant to the Mansako business. Unfortunately, some candidates focused on the general benefits of digital marketing despite the clear requirement to consider the benefits of different types of digital media. Other candidates included other types of marketing which were not given any credit, including experiential marketing and TV advertising.

The answers for the second element of this task were mixed. Many candidates had a good grasp of this area of the syllabus and produced comprehensive answers whilst others showed a lack of understanding of the meaning of both the standard deviation and the co-efficient of variant. Some candidates decided just to restate the figures given in the exhibit without giving any explanation or analysis of the figures, which was awarded no marks. The task asked for consideration of the effect on the decision of risk attitude therefore discussion of decision criteria under uncertainty gained no marks.

Task 4

The answers in the first element of this task were also mixed. Many candidates had a clear understanding of the mix variances, fewer candidates were clear when explaining the yield variances. Some candidates thought it would be enough to restate the issues in the scenario which would have adversely affected performance and made no attempt to separately explain the mix and the yield variance or to identify each of the issues with the individual variances. The purpose of the requirement was to assess the understanding of mix and yield variances and therefore this approach was given no credit.

The second element of the task was well answered with the majority of candidates able to differentiate between a capital and revenue grant and explain the accounting treatment of each. Weaker candidates seemed to be unsure where the capital grant would reduce or increase the value of the non-current asset in the statement of financial position and whether the revenue grant was a debit or a credit to the statement of profit or loss.

Variant 4

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
Task 1	Explain a CVP chart and recommend which supplier to use based on financial information. Explain other factors to be considered in the decision.	Technical skills Business skills Leadership skills	P1:C2(b): Apply break-even analysis in multiple product contexts.
	Explain the criteria for capitalisation of development costs under IAS 38 and whether development costs associated with a new product meet these criteria. Explain the treatment of capitalised development costs 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.
Task 2	Explain a decision tree, limitations of using expected value for decision making and the risks associated with a decision.	Technical skills Business skills Leadership skills	P1:D1(b): Analyse risk using sensitivity analysis, expected values, standard deviations and probability tables.
	Explain whether an investment in another entity should be classed as an associate and if so, how this should be reported in the financial statements.	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.
Task 3	Explain the benefits and limitations of using marginal cost-plus and full cost-plus approaches to pricing a new product.	Technical skills	P1: C1(c): Explain the issues that arise in pricing decisions and the conflict between 'marginal cost' principles, and the need for full recovery of all costs incurred.
	Discuss how the product and price elements of the marketing mix for a new product would influence a pricing decision.	Business skills People skills	E1: E1(b): Apply the elements of the marketing mix.
Task 4	Explain the ethical and legal considerations from animal testing and the potential benefits of being perceived as a socially responsible company.	Business skills 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.
	Explain the four categories of an environmental cost of quality report and give examples of each type of cost.	Technical skills	P1: A3(a): Explain the role of environmental costing as part of an environmental management system.

Comments on performance

Task 1:

In the first element of this task most candidates made a reasonable attempt at explaining the CVP data given to them, but a significant number failed to go on to make a recommendation as to which supplier should be chosen. This was surprising given that it was a specific request in the task. Also, some candidates made the wrong choice, in financial terms, because based on the estimated sales volume, Sensory Vision was far superior. Too many candidates failed to discuss a broad enough range of other factors that should be taken into consideration, with many answers only commenting on the location of the two suppliers.

Answers for the second element were mixed. There were some excellent answers where candidates were able to not only identify the IAS 38 criteria but also correctly apply these to the perfume development expenditure and explain the treatment in the financial statements. At the other extreme, some candidates demonstrated a complete lack of knowledge in this area. The majority of candidate answers, however, lacked application to the perfume development expenditure. Please remember that only a few minimal marks are available for stating the rules, the majority of marks are for application.

Task 2:

In the first element of this task most candidates managed to earn reasonable marks by explaining, in sufficient detail, the decision tree provided to them. However, these were relatively easy marks because little analysis was required. However, many candidates did not make a clear recommendation on the product development, often leaving it the marker to infer something from the candidate's explanation of the decision tree. Again, whilst most candidates were able to come up with some sensible points on the limitations of using expected values for this decision, very few candidates failed to adequately discuss the risks in the probability table provided. A common mistake was to discuss risk in very general terms, or to go off at a tangent and to discuss minimax and maximin, which was not asked for.

The second element of this task was generally well answered. Most candidates recognised that a 30% shareholding inferred significant influence and many candidates also usefully commented on the appointment to Sensory Vision's board. However, very few candidates earned good marks for their explanation of how the investment would be reported in the financial statements. The most common comment made by candidates was just to make a simple statement saying that the investment would be recorded as an investment in associates in non-current assets. Whilst this is correct, to earn a good mark here a candidate was expected to also comment on the impact in statement of profit or loss and how the associate investment would be measured.

Task 3:

The first element of this task was poorly answered with many candidates discussing, often in some depth, the relevant benefits and limitations of marginal costing and absorption costing, rather than the benefits and limitations of marginal cost-plus and full-cost plus approaches to pricing a new product. In particular, many candidates discussed the use of marginal costing in break-even analysis, ignoring the fact that the selling price of the product was still to be determined. A common argument put forward was that fixed costs should be ignored since they were not relevant to short-term decision making. These candidates' comments did not make sense in terms of the pricing decision that needed to be made.

The second element of this task was better answered with many candidates able to make some sensible comments on the product and price elements of the marketing mix for the new perfume. However, a significant number of answers were too brief and narrow in terms of the range of points made which limited the end mark.

Task 4:

Overall this was the best answered section on the paper. The first element of this task was well answered by many candidates: CSR is clearly a comfortable topic area for candidates. Most candidates managed to successfully discuss ethical responsibility in the context of the scenario provided, and many also went on to discuss the different legal environments in the EU and North America. Good marks were also invariably earned from explaining the benefits of being a socially responsible company.

The final element was again generally well attempted. Most candidates are now familiar with the four categories in a quality cost report and could apply this to the environmental context. Most candidates could also provide examples, but these were not always relevant to the environment. A fairly common mistake was to provide business, rather than environmental, examples, such as relating to the quality of the product or the efficiency of the manufacturing process.

Variant 5

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
Task 1	Explain how to apply activity-based budgeting to produce a staff budget and the information to ensure the accuracy of the data.	Technical skills	P1: B3(a): Prepare a budget for any account in the master budget, based on projections/forecasts and managerial targets. P1: B3(b): Discuss alternative approaches to budgeting.
	Apply the rules in IAS 16 to explain how to treat refurbishment costs for new stores and existing stores 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.
Task 2	Apply limiting factor analysis and discuss any limitation of this approach to make a decision.	Technical skills Business skills	P1: C2(c): Analyse product mix decisions, including circumstances where linear programming methods are needed to identify 'optimal' solutions.
	Explain the rules in IFRS 8 regarding operating segments and establish whether a division of the business should be separately disclosed as an operating segment.	Technical skills Leadership skills	F1: B1(a): Describe the main elements of financial statements prepared in accordance with IFRS.
Task 3	Explain the appropriateness of three service quality indicators and give examples of customer service quality costs applicable to the business.	Technical skills	P1: A2(a): Discuss the role of quality costing as part of a total quality management (TQM) system.
	Explain the potential benefits of introducing a customer loyalty scheme and how a customer relationship management system will enable the operation of such a scheme.	Business skills People skills	E1: C1(a): Demonstrate the value of information systems in organisations. E1: E2(b): Explain the role of emerging technologies and media in marketing.
Task 4	Interpret sales planning and operating variances.	Technical skills	P1: A1(d): Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain the potential benefits of instigating a staff incentive scheme and whether an individual or group scheme would be most appropriate.	Business skills People skills Leadership skills	E1: F2(a): Demonstrate the HR activities associated with developing employees.

Comments on performance

Task 1:

Answers for the first element of this task were generally poor. Many candidates could explain the steps involved in activity-based costing in general terms, however this scored few marks because the task was about creating a budget for staff costs using activity-based budgeting. Most candidates failed to question the validity of estimates for time taken, the impact of having inexperienced staff and the need to build idle time into the budget. Those few candidates that explained the process of building up the budget for the cost pool (rather than establishing a cost driver rate for product costing) and questioned the validity of estimates scored very well.

The second element of this task on the treatment of refurbishment costs for the new stores was generally well attempted. As demonstrated on other variants, candidates clearly have a good understanding of the capitalisation requirements of IAS 16 and are also able to apply these to information given. However, the part of the task about subsequent refurbishment expenditure on existing stores was less well answered. Many candidates seemed to not be familiar with the subsequent expenditure rules in IAS 16 and as a result gave very superficial answers here.

Task 2:

In the first element of this task most candidates were able to explain how to apply limiting factor analysis to the decision which was pleasing. Many candidates were also able to discuss the limitations of basing this decision about which products to display in the new stores in an applied way. The main reason for a low score here was a lack of depth in the answers and / or a lack of application. Candidates were typically better at commenting on practical factors to be considered such as what the customer preferences might be, rather than issues associated with using limiting factor analysis, such as the assumption that fixed costs remain fixed. To score well here a mix of both types of limitation were required.

In the second element of this task, many candidates focused only on explaining the 10% rule in respect of a reportable segment and failed to explain the rules that define an operating segment which significantly reduced the mark. Those that did define an operating segment often failed to apply the rules to the scenario, again limiting marks. It should be noted that, especially for tasks about IFRS, the majority of the marks available are for application of rules to the scenario rather than text book definitions of the rules.

Task 3:

The first element of this task was well answered by most candidates. In particular, good application skills were demonstrated when discussing the appropriateness of the suggested quality indicators which was great to see. Most candidates could clearly explain the difference between conformance and non-conformance costs and the examples were generally good. Marks were missed where candidates gave generic examples of quality costs rather than taking examples from the quality issues highlighted in the case.

The second element of this task was also reasonably well answered. Many candidates gave a range of points linked to the benefits to the business of a customer loyalty scheme, including the impact on existing and potential customers. Answers relating to how a customer relationship management system could enable the operation of a loyalty scheme were not as strong. Some candidates omitted this altogether and others made only brief comments, which limited the marks given.

Task 4:

In the first element of the final task, there were some excellent answers where candidates gave a comprehensive analysis of the variances given using the information in the case and the additional data to explain the reasons for their occurrence. However, there were also a significant number of poor answers that did not score well. The main reasons for a poor answer were a lack of understanding of what the variances meant, confusions between the variances and a complete lack of application to the scenario. Some candidates wasted time defining how to calculate each variance, which the task had specifically excluded.

The final element of this task on instigating a staff incentive scheme was generally well answered by most candidates. Marks were missed though where candidates failed to give their views on whether an individual or group scheme would be most appropriate. Some candidates focused on one or the other and did not therefore give a balanced view, which limited their mark.

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.