

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

**General comments**

This exam was based on a pre-seen scenario which described a company in the media streaming industry. The scenario was made available in advance of the exam and a number of variant exams were set, each offering additional scenario-based information and each setting three sections to be completed. Each section was split into two to four specific elements. The pre-seen scenario was detailed and well-prepared candidates should have been able to give good answers in the context of the industry. The unseen scenarios were interesting and presented some realistic questions on the industry. Many candidates would have been familiar with this popular industry already and so some good contextual answers were expected.

Performance overall was reasonably good for many candidates but there were several weak areas on which candidates must improve in the future. Many technical areas were very poor especially the F and P pillar questions. Specific areas of weakness were hedging, treasury and currency. Variant four is a good example of this, where candidates scored very low marks in section one part two where they did not answer what was asked but gave a very vague general answer on hedging. Variant two had a similar problem.

Candidates must understand the technical content of the syllabus and not leave gaps in their knowledge when studying.

Another weakness was that application which was often poor. Candidates seemed to be completely ignoring the exhibits which often follow the questions. This is really hindering candidates. In a number of tasks, having actually read the article would have been very useful and assisted them in formulating their answers, but it was quite apparent that many had not taken the trouble to read them. Candidates are losing marks by not paying attention to these exhibits and to the pre-seen material and reading them carefully.

Most candidates now have a very good structure to their answers which is excellent, it makes it much easier to read and understand.

Some candidates had made good use of the pre-seen materials and showed understanding of the media streaming industry which was encouraging.

**Variant 1**

|                  | <b>Designed to test ability to:</b>                   | <b>Competency being tested:</b> | <b>Syllabus lead learning outcome:</b>   |
|------------------|---|---------------------------------|--|
| <b>Section 1</b> | Advise on management of strategic relationships       | People skills                   | E3 A1d - recommend how to build and manage strategic relationships with stakeholders   |
|                  | Evaluate implications of announcement for share price | Technical skills                | F3 C2a - Calculate the value of a whole entity (quoted or unquoted), a subsidiary entity or division using a range of methods including taxation |
| <b>Section 2</b> | Prepare a SWOT analysis                               | Business skills                 | E3 B1a - evaluate the processes of strategic analysis and strategic options generation   |
|                  | Evaluate changes to board membership                  | Leadership skills               | P3 B3a - evaluate the risks associated with poor governance structures   |
| <b>Section 3</b> | Negotiate with a potential lender                     | People skills                   | F3 A2b - advise on the development of financial strategy for an entity taking into account taxation and other external influences                |
|                  | Negotiate with a regulatory agency                    | Leadership skills               | F3 A2b - advise on the development of financial strategy for an entity taking into account taxation and other external influences                |
|                  | Identify relevant economic variables                  | Technical skills                | P3 D2a - advise on the effect of economic factors that affect future cash flows from overseas operations   |
|                  | Advise on the management of currency risks            | Business skills                 | P3 D2b - evaluate appropriate methods for the identification and management of financial risks associated with international operations          |

## Comments on performance

### Section 1

Requirement 1 asked about strategic relationship management with key stakeholders.

Candidates generally answered reasonably well with regard to the relationship with Pinto studios. However, in general very few paid attention to the fact that 24 hours had already elapsed and there was a need to respond quickly in market time. This was particularly reflected in answers where candidates seemed to suggest that the market analysts might have provided forewarning!

On the whole the market analysts and business press received rather less attention than they should although some students did give a wider view taking in employees and customers.

Requirement 2 asked about the implications of the reduced share price.

On the whole candidates did well in this question. Most candidates mentioned all the basic implications of the timing of the price slump and the aspects of making borrowing rather more difficult. Generally, the price fall was viewed as a short-term marketplace reaction to unexpected news with an expectation that it would recover significantly although not to former levels. Many students recognised that there would be increased focus on what Couchweb does in response to losing Pinto before a true picture of medium term share price can be viewed.

This was, on the whole, reasonably well answered.

### Section 2

Requirement 1 asked about the alternatives of organic growth or acquisition by using a SWOT analysis.

There was strong evidence of the average candidate spending considerable time detailing the various aspects of the SWOT both for acquisition and organic growth.

Many candidates made very good recommendations for a combination of short term acquisition with subsequent investment in those acquisitions to achieve longer term organic growth which was seen as the best route to future stability and independence, avoiding possible re-occurrence of the Pinto situation.

However, quite a few candidates either showed evidence of time mismanagement distracted by the SWOT or simply didn't understand how to draw conclusions from the SWOT and make recommendations.

This was, on the whole, reasonably well answered.



Requirement 2 asked about the implications of appointing a creative director.

This section was a little weak. There were lots of rather brief affirmative answers without much content or argument to back up the proposal and give details of the implications as requested. Most who gave reasonable responses to the question said that overall co-ordination was required, especially if new acquisitions were to be considered, reining in and channelling attention to specific areas.

Very good answers saw opportunities for Big Data research and feedback in this environment.

### **Section 3**

Requirement 1 asked candidates to address bank reservations about repayment capabilities.

This first part was reasonably well done by candidates. Most answers covered track history and the use of program media content as a tangible asset. Many discussed projected developments and the use of the new media companies in the business development.

However, not many candidates stopped to consider the increased cash commitments although many had highlighted the cash reserves. Better answers focused on the need for a business plan and occasional reviews with the bank to allay fears.

Requirement 2 asked candidates to address the monopolistic position with Mayland's Broadcasting Authority.

This was reasonably answered by most candidates. Most highlighted the fact that there is a competitively priced market, with customer choice being freely exercised, Couchbase has no alternative but to play to customer satisfaction and consumer taste. Also the fact that much of the material becomes available after a short premium allows them to minimise any monopolistic tag that may be applied. Couchweb is not in a unique position and most argued that all its actions are geared towards the consumer.

Requirement 3 asked candidates to consider how the economic variables in Lorovia could affect the cost of borrowing in L\$ against the home currency M\$.

Most candidates explained the basics of interest rate parity theory. However, very few gave much detail on any other aspects and only the best candidates scored well here. Those who did gave mature, thoughtful answers couched in terms of government activities and desire to encourage foreign investment.

Requirement 4 asked candidates how to manage currency risks associated with borrowing in L\$.

Fortunately, requirement 4 was answered very much better than requirement 3. Most candidates recognised that natural internal hedges may indeed be available to Couchweb using subscriptions in local currency to be applied against the loan.

A number of candidates discussed other available hedging techniques although only a few applied these in any detail and went through to consider costs and availability of such techniques.

**Variant 2**

|                  | <b>Designed to test ability to:</b>         | <b>Competency being tested:</b> | <b>Syllabus lead learning outcome:</b>   |
|------------------|---|---------------------------------|--|
| <b>Section 1</b> | Manage stakeholder relationships            | Leadership skills               | E3 A1d - recommend how to build and manage strategic relationships with stakeholders   |
|                  | Evaluate relevance of ERM                   | Business skills                 | P3 A1c - recommend responses to identified risks   |
| <b>Section 2</b> | Evaluate strategic acquisition              | People skills                   | E3 E2b - evaluate the strategic and competitive impact of information systems, including the potential contribution of Big Data        |
|                  | Recommend purchase price for acquisition    | Technical skills                | F3 C3a - evaluate alternative pricing structure and bid process including taxation implications  |
| <b>Section 3</b> | Recommend role for internal audit           | Leadership skills               | P3 C3a - evaluate the effective planning and management of internal audit and internal audit investigations                            |
|                  | Recommend internal audit tests              | Business skills                 | P3 C3a - evaluate the effective planning and management of internal audit and internal audit investigations                            |
|                  | Evaluate relevance of increase in dividend  | People skills                   | F3 B2b - recommend appropriate dividend policies, including consideration of shareholder expectations and the cash needs of the entity |
|                  | Recommend approach to dividend announcement | Technical skills                | F3 B2b - recommend appropriate dividend policies, including consideration of shareholder   |

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|--|--|--|---|
|  |  |  | expectations and the cash needs of the entity |
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## Comments on performance

### Section 1

The first requirement in section 1 asked about management of stakeholder relationships. This part of the task was answered well. Many candidates identified the most relevant stakeholders (including Ronsteel, shareholders and subscribers) and presented well-argued and justified methods of managing relationships with these stakeholders in relation to this piracy issue. Those candidates who did not perform well on this part of the task did so mainly because they provided largely theoretical answers relating to stakeholder mapping (with little or no focus on how to manage the relationships) or presented mitigating actions to solve the piracy (which failed to answer the question set). Candidates are reminded to focus on application of their answers to the scenario information. However, overall most candidates performed well on this part of section 1.

The second requirement regarded Enterprise Risk Management (ERM). This part of the task was reasonably well answered. Many candidates demonstrated a sound knowledge of ERM, although some answers were very theoretical and not sufficiently applied to discussing how ERM could prevent such an incident occurring in Couchweb. However, very few candidates correctly recognised that it could be argued that Couchweb's exposure to risk would not have been reduced by the adoption of ERM. ERM would not necessarily have affected the safeguards put in place by Couchweb because the risk had in fact been formally evaluated and had been addressed by what appeared to have been a realistic response.

### Section 2

The first requirement regarded the usefulness of Kentdata to Couchweb and this part of the section was answered reasonably well by most candidates. Most discussed how Kentdata could help Couchweb to identify new programmes and programme ideas that would be attractive to subscribers. Also, many candidates discussed analysis of comments made on social media, gathering other data from industry sources and also the analysis of data from subscribers' use of the website. Most candidates used the scenario information well and also used theoretical knowledge and understanding of Big Data to address this part of the task. However, some candidates did go off track, discussing issues such as how to go about the acquisition process and the benefits of acquisitions. This was not asked for and gained little credit.

The second requirement asked about how a value could be put on Kentdate and the implications of that when negotiating an acquisition. This part of the task was answered well by most candidates. Many candidates demonstrated sound knowledge of a good range of valuation methods and many also recognised the advantages and limitations of these in the context of the case. Credit



was given to those candidates who clearly recognised that Kentdata cannot be valued in terms of traditional valuation models, as it owns very little in the form of assets, other than the intellectual property in the founder's expertise and the software. Income-based models would also be of little use to Couchweb because it does not intend to operate Kentdata as an independent profit-making entity. Those candidates who did not perform well on this requirement were those that provided theoretical answers with little or no attempt at evaluating the usefulness of these techniques to value Kentdata.

Some candidates failed to discuss the implications on negotiations of the challenges faced in valuing Kentdata. Candidates were expected to consider the need to approach negotiations with flexibility and to ensure that Martin Kent is involved fully in discussions. Those candidates who did discuss the negotiation process, largely did so successfully, clearly recognising the need for flexibility.

### **Section 3**

The first requirement regarded the role of internal audit in preventative checking. This part of the task was not answered well by most candidates. Many answers merely focused on the general role of internal audit with limited debate of whether it is appropriate for the internal audit to undertake preventive checking in this case. Some candidates did discuss that their training and experience will make them well qualified to conduct this investigation but few considered that this need not become a permanent part of the internal auditor's role. Most answers were very general and failed to focus specifically on the auditor's role in this specific task.

The second requirement involved the recommendation of internal audit tests. This part of the task was answered reasonably well by most candidates. The candidates who scored highly applied their answers directly to the information presented in the exhibit and presented a range of test based on the findings it contained, such as checks on duplicate IP addresses, tests on download frequencies and exceptional user activities. Most answers were very well applied.

Candidates who performed poorly on this question were those that merely identified standard internal audit testing activities, such as compliance and substantive testing with little or no application to the piracy breach.

The third requirement asked whether an increased dividend was likely to reassure shareholders. This part of the task was answered reasonably well by most candidates. Many candidates presented a well-balanced discussion, stating that the dividend payment may signal confidence in the company's ability to afford the dividend and that the Board is clearly confident in its evaluation of future cash flows. However, it could be viewed as self-interest from the perspective of the directors or could be viewed as an attempt to increase the founders' personal savings. Candidates who presented a balanced answer were awarded high marks. However, some candidates presented very theoretical answers which were not adequately applied to the scenario. These answers were not awarded high marks. Some candidates made a recommendation to not pay the larger dividend, but this was not asked for. Candidates are reminded to only answer the requirement that has been asked.



The fourth requirement asked for a recommendation of an approach to take when announcing a larger than usual dividend. This part of the section was not answered well by most candidates. Many answers were generic lists of communication techniques with limited application to the most effective approach to announcing this larger than usual dividend. Very few candidates recognised that the first priority is to ensure that the shareholders realise that Couchweb's dividend is to increase for this year only and this should be made clear in the chairman's statement in the annual report and by briefing analysts. Some answers focused largely on more basic issues such as sending letters to shareholders or discussions at the AGM, which were not adequately specific or relevant to this type of announcement.



**Variant 3**

|                  | <b>Designed to test ability to:</b>   | <b>Competency being tested:</b> | <b>Syllabus lead learning outcome:</b>   |
|------------------|---|---------------------------------|--|
| <b>Section 1</b> | Evaluate impact of stakeholder management                                   | Leadership skills               | E3 A1d - recommend how to build and manage strategic relationships with stakeholders   |
|                  | Evaluate implications of large share trade                                  | Technical skills                | F3 C2a - calculate the value of a whole entity (quoted or unquoted), a subsidiary entity or division using a range of methods including taxation |
| <b>Section 2</b> | Advise on political risks   | People skills                   | P3 D2b - evaluate appropriate methods for the identification and management of financial risks associated with international operations          |
|                  | Evaluate addition to product portfolio                                      | Business skills                 | E3 B2b - recommend how to manage the product portfolio of an organisation to support the organisation's strategic goals                          |
| <b>Section 3</b> | Discuss role of non-executive director                                      | Leadership skills               | P3 B3a - evaluate the risks associated with poor governance structures   |
|                  | Evaluate ethical implications of non-executive remaining in post            | People skills                   | P3 B2a - evaluate the risks of unethical behaviour   |
|                  | Evaluate implications of non-executive's resignation for shareholder wealth | Technical skills                | F3 A1a - advise on the overall strategic financial and non-financial objectives of different types of entities                                   |
|                  | Evaluate responsibility to a significant shareholder                        | Business skills                 | F3 A1a - advise on the overall strategic financial and non-financial objectives of different types of entities                                   |

**Section 1**

The first requirement asked about the manner in which market analysts should be briefed about stakeholder management. Answering this question required some thought as to the identification of key stakeholders whose interests would interest analysts. Given that analysts are primarily interested in tracking share prices, Couchweb's Board would be expected to manage the relationship with shareholders and other subscribers whose involvement with the company could have an impact on cash flows. Answers to this requirement varied in quality. Better answers offered realistic and relevant arguments that were justified in terms of the importance of the stakeholder and the reason for the analysts' interest. Weaker answers tended to list stakeholders with little or no justification, possibly analysing them in terms of Mendelow's matrix.

The second requirement asked about the implications for the share price of a large purchase and resale of shares by the counterparty to the collaborative arrangement. Many candidates highlighted the possibility that the purchase and subsequent sale had been motivated by a desire to profit from insider trading. Whilst this was a realistic suggestion, many candidates failed to tie it back to the requirement by considering, say, the implications for the market as a whole that a significant minority shareholder may be willing to engage in illegal trading.

**Section 2**

The first requirement asked about the political risks associated with broadcasting in Southeria and also of relying on a third party for political support. Most candidates recognised that there could be political risks associated with working inside the country. Stronger answers considered the broader political implications of being seen to do business in a country that appears to be somewhat repressive. Whilst it was possible to focus on the political risks within Southeria, those candidates who recognised that there were more far-reaching concerns found it easier to develop their answers. Many candidates failed to address the concerns arising from entering into a partnership with Jorge. Those who did were generally able to develop realistic arguments about the power that Jorge would be able to exert.

The second requirement asked whether the new service in Southeria would fit into Couchweb's product portfolio. This implied a well-structured evaluation of Couchweb's business and the extent to which this new market would fit well within the business. Relatively few candidates offered a structured analysis, with most simply explaining whether or not they believed this to be a good opportunity for Couchweb.

### **Section 3**

This section had two pairs of requirements that were linked by a common thread.

The first requirement asked whether a non-executive director had exceeded her authority by expressing a view on Jorge's suitability as a business partner. Generally, most candidates offered realistic arguments in support of the director and justified her position. Candidates were generally aware of the role of non-executive directors and of their responsibilities with respect to potentially reckless behaviour.

The second requirement asked whether it would be unethical for the non-executive director to remain in post in the event that the arrangement with Jorge continued. Most candidates argued that it would be unacceptable to continue as a director under these circumstances, but some candidates offered a counter argument that the director had already discharged her duties by identifying the concern and that there was no particular reason to resign. Both lines of argument were supportable and marks were awarded for the quality of the arguments offered in support.

The third requirement asked whether the resignation of a non-executive director would affect shareholder wealth. Most candidates were able to develop an argument to the effect that resignation is a costly act and is also a very powerful signal. Answers to this requirement were generally good.

The fourth requirement asked whether Couchweb's responsibilities from its business relationship with Koldor Productions would be affected by the fact that Koldor owns 5% of Couchweb's equity. This requirement was generally poorly answered, with few candidates being able to distinguish the different responsibilities arising from these circumstances.

**Variant 4**

|                  | <b>Designed to test ability to:</b>                                      | <b>Competency being tested:</b> | <b>Syllabus lead learning outcome:</b>   |
|------------------|--|---------------------------------|--|
| <b>Section 1</b> | Evaluate currency risks  | Business skills                 | P3 D1a - evaluate financial risks facing an organisation   |
|                  | Discuss the relevance of hedge accounting                                | Technical skills                | F3 A2c - evaluate the impact of the adoption of hedge accounting and disclosure of financial risk on financial statements and stakeholder assessment |
| <b>Section 2</b> | Discuss potential advantages of merging databases                        | People skills                   | E3 E1b - advise managers on the development of strategies for knowledge management   |
|                  | Discuss problems associated with bidding for a potential takeover target | Leadership skills               | F3 C3a - evaluate alternative pricing structures and bid process including taxation implications   |
| <b>Section 3</b> | Recommend internal audit response to weakness                            | Business skills                 | P3 C3a - evaluate the effective planning and management of internal audit and internal audit investigations  |
|                  | Discuss need for internal audit to conduct a follow-up                   | Technical skills                | P3 C3a - evaluate the effective planning and management of internal audit and internal audit investigations  |
|                  | Identify change management issues  | Leadership skills               | E3 C2a - evaluate tools, techniques and strategies for managing and leading the change process   |
|                  | Recommend approach to motivating internal audit                          | People skills                   | E3 C2a - evaluate tools, techniques and strategies for managing and leading the change process   |

**Section 1**

The section began by asking the candidate to identify the currency risks faced by Couchweb and explain the difficulties in evaluating those risks. For a good answer a candidate needed to grasp the currency risks, including the economic risk attributable to the two-year setting of subscription rates. They should have identified that the evaluation of risks is made more difficult by the fact that monthly subscriptions are small and so the impact of volatility harder to assess.

Many candidates performed quite well in this section, identifying the currency risks Couchweb faced and issues such as the large number of countries it does business in. A number provided very “textbook” style answers, explaining transaction, translation and economic risk in general terms without reference to the specifics of this scenario. Those candidates who did not apply the theory of foreign exchange risk to the scenario tended not to perform well on the difficulties of evaluating risks.

The second element of this task asked for an explanation of whether foreign currency revenues could be hedged in a manner that would permit Couchweb to use hedge accounting and, if so, whether hedge accounting would eliminate Couchweb’s currency risks. A good answer would explain whether or not hedge accounting would be possible in this scenario and could argue that it probably makes no difference to cash flows and so affects the perception of risk rather than the risk itself.

Many candidates did not meet the requirement by discussing hedge accounting, instead discussing hedging in general, in some cases despite heading the section “hedge accounting”. This was disappointing and meant that many candidates did not show any knowledge of the subject matter being examined. Again, a number provided very textbook style answers, listing internal and external hedging methods and their features without reference to the case study scenario.

**Section 2**

In the second section candidates were asked to identify the commercial benefits of integrating the two databases currently maintained by Couchweb and Cardbill. A good answer would recognise that there are disadvantages to maintaining the separate databases and suggest meaningful commercial advantages to merging them. This section was generally well addressed, although some candidates identified a cost saving as the only benefit arising from the integration.

The second part of this task asked them to discuss the potential problems associated with making a successful bid for ITServ and how these might be overcome. A good answer here could identify that the directors of ITServ might not wish to be taken over and suggest how this could be overcome.

This section was again well addressed by many candidates, although some explained the suitability acceptability feasibility model without applying it to the specifics of this scenario.



### **Section 3**

The third section had four elements. Firstly, the candidate was asked to explain the actions Internal Audit should have taken when it discovered a weakness in IT security. A good answer would provide a realistic set of suggestions. This was often well addressed with sensible advice given, including coverage of the reporting which would be required.

Secondly, they were asked whether conducting a follow up in response to the weaknesses is consistent with the role of Internal Audit. This should have included a discussion of whether this is the responsibility of the auditor or of management and identified the independence issues this raises. Whilst many answered this section well, a large number missed the independence issues and talked only of the potential additional workload for the auditor.

Thirdly they were asked to explain the change management issues that the new role imposed by the non-executive directors would create for the Internal Audit Department. A response to this could have identified problems that could arise, including a concern that unrealistic demands are being made. Many provided very general comments regarding motivation of employees rather than tailoring them to the specific issues facing the Internal Audit Department.

Finally, they were asked how they might prevent the change management issues from demotivating the Internal Audit staff. This should have included exploring how the concerns about the new role could be addressed. Again, whilst some candidates addressed this well many provided very general change management advice, often explaining the Lewin methodology without specific application to the scenario.

**Variant 5**

|                  | <b>Designed to test ability to:</b>                                      | <b>Competency being tested:</b> | <b>Syllabus lead learning outcome:</b>  |
|------------------|--|---------------------------------|---|
| <b>Section 1</b> | Evaluate ethical implications of resisting takeover bid                  | Business skills                 | E3 A2a - evaluate ethical issues and their resolution within a range of organisational contexts   |
|                  | Identify responsibilities of non-executive directors with respect to bid | Leadership skills               | P3 B3a - evaluate the risks associated with poor governance structures  |
| <b>Section 2</b> | Recommend negotiating strategy with bidder                               | People skills                   | F3 C3a - evaluate alternatives pricing structures and bid process including taxation  |
|                  | Evaluate potential synergies for currency hedging                        | Technical skills                | P3 D2b - evaluate appropriate methods for the identification and management of financial risks associated with international operations |
| <b>Section 3</b> | Evaluate impact of staff resistance to change                            | People skills                   |   |
|                  | Recommend change management strategy                                     | Leadership skills               | E3 C2a - evaluate tools, techniques and strategies for managing and leading the change process  |
|                  | Recommend financial objectives   | Technical skills                | F3 A1b - evaluate financial objectives of for-profit entities   |
|                  | Recommend non-financial objectives                                       | Business skills                 | F3 A1a - advise on the overall strategic financial and non-financial objectives of different types of entities                          |

## Comments on performance

### Section 1

Requirement 1 asks candidates to consider the ethical issues around the Board advising the shareholders to reject Nolo's offer.

The suggested answer uses the CIMA ethical guide to develop an argument. Candidates could have used any valid basis for distinguishing ethical behaviour. Many candidates performed this part very well, correctly identifying the ethical issues and the ethical principles in the question. This was a good start for most candidates.

Requirement 2 asked about the governance issues for the non-executive directors with regards to the offer. Candidates should have recognised that the basic duties are the same for both executive and non-executive directors. There are, however, different expectations of the non-executive's behaviour in a conflict situation such as this and very few candidates discussed these expectations. Most candidates still performed very well in this part simply because they could discuss the non-executive directors' duties.

Section 1 was performed well and gave many candidates a reasonable mark that they could build on throughout the exam.

### Section 2

Requirement 1 asked candidates whether Couchweb could make an argument that Nolo should offer more for Couchweb.

Better candidates made reasoned economic arguments to support their positions, the basic direction that should have been taken is that selling a company involves negotiation. There is no "correct" bid, just what Couchweb's shareholders will accept. Many candidates did really well in this part making good arguments and showing an understanding of the main issues. This was one of the highest scoring questions in this variant.

Requirement 2 asked about the synergies available to manage currency risks.

This is a complicated situation because both companies are based in the same country and have the same currency. There are, however, potential savings to be made in managing currency risks. Unfortunately, this part was done very poorly. Many candidates just wrote out a standard answer on currency risks including hedging the transaction between the two companies for currency losses, as they used different currencies, which was not the case. Some of the suggestions were not at all appropriate and candidates did not score well in this part.



### **Section 3**

This section is essentially two requirements, each of which has two elements.

The first requirement asked whether resistance to change could prevent the company from making increases in profits.

It is generally difficult to realise the anticipated synergies when taking over another company. This scenario raises some particular issues that should have been brought out by the better candidates, such as the continuing presence of the founders.

The second requirement asked how the resistance to change could be overcome. This part was answered very well by most candidates who discussed issues such as communication very well. Suggestions for overcoming resistance to change should have been realistic and proportionate and many candidates made very good suggestions.

The third requirement asked about key financial objectives that could increase shareholder wealth. This part was not performed very well. The question asked for four key objectives but many candidates listed many more than that without much discussion. Many candidates did not justify the objectives they selected and their answers were quite superficial. Some candidates gave excellent answers which recognised that there is an underlying strategic question of the factors that will drive shareholder wealth.

The final requirement asked for four key non-financial objectives which complemented the four financial objectives in the previous part.

Once again, many candidates simply listed non-financial objectives and did not mention how they could complement the financial objectives. It appeared with these two parts that candidates had not read the question carefully and had just launched into lists of financial and non-financial objectives. This approach did not gain many marks. Other candidates seemed to have a pre prepared answer on KPIs and just inserted it into this question even although it did not answer the question asked. This requirement was quite straightforward and required the ability to apply knowledge to a scenario. It was disappointing that candidates found this difficult.