

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

### General comments

This was the sixteenth operational level integrated case study. It was pleasing to see that overall performance was better than previous sessions.

It was encouraging to see that for the most part, candidates continue to demonstrate good understanding of the case business through studying the pre-seen. Application in the E1 related tasks that focus on business and people skills is very good. Unfortunately, the same cannot always be said regarding application in respect of technical skills which, at times, is still lacking (although has improved from a year ago). I suspect that this is for the most part, due to the fact that there are still gaps in core technical knowledge in both P1 and F1: candidates can not apply knowledge that they do not have in the first place. I have said it before, but stress again that at operational level **technical skills are by far the most important element of skills at 64%**. For this session there were gaps in technical understanding on mix and yield variances, ‘what-if’ analysis, probability tables, corporate governance, investments in associate / subsidiaries and accounting for pensions.

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 also help candidates to ensure that they have addressed all the points that they want to.

For this session, there were more instances, than normal, of aspects within tasks being missed out altogether. This could be due to candidates either not reading the task fully or perhaps thinking that it could only be worth a few marks and leaving it. To give yourself the best chance of passing, all aspects of a task need to be addressed. In this session, there were a number of instances where ‘other factors’ or ‘further information’ relating to the decision or situation were asked for and some candidates simply ignored this, or else wrote a couple of small bullet points. Another point to note for this session was the lack of conviction when asked to make a recommendation. In future where a recommendation is asked for please have the courage of your convictions as often, as long as the recommendation is justified, it will score marks, even if it is not as per the suggested solution.

As is consistent with other exam sessions, the skill which was demonstrated the best was business skills, closely followed by people skills. Candidates still seem to be comfortable using their knowledge from E1 to demonstrate applied business and people skills. Applying knowledge from P1 and F1 to demonstrate technical skills appeared to be more challenging, although as noted above is improving. 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>	Apply relevant cost analysis to explain whether cost and benefits are relevant or irrelevant. Also explain other factors to consider before making the decision.	Technical skills	P1: C2(a): Apply relevant cost analysis to various types of short-term decisions.
	Explain the impact of selling assets on accounting profit and how this differs to the impact on taxable profit.	Technical skills	F1: D1(a): Discuss the features of the types of indirect and direct taxation that typically apply to an incorporated entity.
<b>Task 2</b>	Explain the impact of transferring the administration of an acquired business on the finance function and whether to appoint an Internal Auditor.	Business skills People skills	E1: B1(b): Analyse the components of the finance function (financial and management accounting, treasury, company secretarial and internal audit).
	Explain whether the adoption of rolling budgets would be beneficial for the business.	Technical skills Leadership skills	P1: B3(a): Prepare a budget for any account in the master budget, based on projections / forecasts and managerial targets.
<b>Task 3</b>	Apply limiting factor analysis to determine the optimal mix of classes and explain the other factors to be considered in the decision.	Technical skills Business skills Leadership skills	P1: C2(c): Analyse product mix decisions, including circumstances where linear programming methods are needed to identify 'optimal solutions'.
	Explain whether there is a need for an induction programme and what content should be included in such a programme.	Business skills People skills	E1: F2(a): Demonstrate the HR activities associated with developing employees.
<b>Task 4</b>	Explain two financial and two non-financial measures that would be appropriate to measure quality and to influence the behavior of managers.	Technical skills	P1: A2(a): Discuss the role of quality costing as part of a total quality management (TQM) system.
	Explain how to account for a defined benefit and a defined contribution pension plan in the financial statements.	Technical skills	F1: B2(a): 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

The first element of this task was answered well by many candidates. Most were able to give a good definition of relevant costs and, from the scenario, identify and explain which of the costs were and were not relevant. Surprisingly, a considerable number of candidates stated that the fitness instructor hours would not be relevant because they were on zero-hour contracts and therefore there was no obligation for the company to pay them. This was incorrect. Candidates should give more time to consider additional factors relating to decisions such as these as there are often considerable marks awarded. Some candidates did not address this part of the task at all.

In the second element of the task most candidates were able to clearly explain the impact of an asset disposal on accounting profit. However, explanations of how this differed to taxable profit were mixed. Good answers explained the differences between accounting depreciation and tax depreciation as well as demonstrating an understanding of the application of balancing allowances and charges. Candidates in general were able to state that accounting depreciation was added back to profit and that tax depreciation was deducted instead. Most stopped here and did not explain how the disposal would be treated in tax terms. Some candidates mentioned balancing charges but went no further than this. Most did not consider the impact that a balancing allowance or charge had on the final taxable profit.

### Task 2

The first element of this task was reasonably well answered by most, although some candidates purely listed the functions of finance which did not score well. Many candidates demonstrated appreciation of the additional work required, including specific issues such as the foreign exchange requirements. Unfortunately, only a few candidates discussed issues to do with the integration of systems and the potential loss of knowledge as none of the staff from Lifegym were to transfer to Gymfit. Some candidates spent considerable time describing how to put together a set of consolidated financial statements. The need to consolidate financial statements was awarded marks but candidates spending too long on a detailed description of the process, failed to cover other aspects of the finance function. Candidates were able to state the case for Internal Audit fairly well. Most referred to the fraud at Lifegym and the need to prevent this happening in the future. However, few candidates discussed potential independence issues or the requirement for a listed company to consider the need for internal audit annually.

The second element of this task was answered well. Most candidates were able to define rolling budgets and explain a wide range of benefits. Very good answers applied these to the scenario, explaining how they would be suitable for the uncertainty that the organisation faced and how the approach would help going forward. Candidates should remember that when asked to give a recommendation, they should give one. Many candidates did not and as such, lost marks here.

### **Task 3**

The first element of this task confused some candidates as they did not seem to know which contribution figure would be applicable, despite having been clearly told that the limiting factor was studio hours. Good answers explained each stage of the process well and then demonstrated the order in which Gymfit should allocate the hours. The task required candidates to explain the process of applying limiting factor analysis rather than just present the final order of classes. Although the latter shows that the candidate understands how to do the technique, it did not fully address the task requirements. Weaker answers just discussed the figures in general without any clear direction. A considerable number of marks were available for discussing other factors to consider and answers here were disappointing. Most did not challenge the assumptions made in the data presented or suggest additional information required. Some candidates discussed the need to establish demand and a small number of candidates did discuss other aspects of the decision. However, as in task 1, the consideration of other factors or additional information was often weak.

The second element of this task required candidates to consider the need for a staff induction for the new members of staff and the content of such an induction programme. Most candidates did very well here. Answers were very well applied and covered a wide range of areas. Weaker answers mistakenly discussed member inductions and not staff inductions. Again, this is a case of not reading the task carefully.

### **Task 4**

The first element of the final task was challenging and required candidates to identify and explain potential financial and non-financial performance measures that would impact the behaviour of the gym managers to improve quality. The candidates were given some help here in that they were presented with a number of quality failings that they could address. Performance measures concerning other issues were given credit where they were relevant. Most candidates were able to identify areas of failing and what should be done. However, the task asked for measures and many candidates did not deliver here. Good answers however, clearly explained the measure, why it was important and the impact that the measure would have on the behaviour of the manager. A considerable number of candidates discussed TQM and the costs of quality but did not translate this into a measure or really apply it to the quality issues presented in the scenario. As such, these answers got some credit but did not score highly.

The final element of the task was not answered well by most candidates. There was a lack of detail in most answers as to the explanation of the pension liability at Lifegym or the possible adjustments to the SOCI. This demonstrated a lack of knowledge in this area. Candidates that had learnt this standard were able to do well. Most candidates were able to identify that a defined contribution scheme was more predictable than the defined benefit scheme in terms of accounting impact.

**Variant 2**

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Explain whether a potential alliance between two organisations has the characteristics of a successful strategic alliance.	Business skills People skills	E1: A1(c): Explain the various forms and functional boundaries of the organisation including externalisation, shared service centres and business process outsourcing.
	Apply break-even analysis to decide on the most appropriate option regarding a revenue sharing arrangement.	Technical skills Leadership skills	P1: C2(b) Apply break-even analysis in multiple products contexts.
<b>Task 2</b>	Explain how to use a decision tree and probability distribution table to make a decision regarding ongoing operational support.	Technical skills	P1: D1(b): Analyse risk using sensitivity analysis, expected values, standard deviations and probability tables.
	Explain the information security risks facing a business and suggest controls to manage these risks to safeguard the security and privacy of customer data.	Business skills	E1: C2(a): Explain the technical components and options for technology system design.
<b>Task 3</b>	Discuss the implications of a new venture on non-executive directors and the audit committee.	Technical skills	F1: A2(a): Discuss the need for and scope of corporate governance regulation.
	Discuss which functional managers should have budget responsibility for new activities and the benefits and drawbacks of involving budget holders in the budget setting process.	Technical skills Business 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.
<b>Task 4</b>	Interpret fee income variances and explain whether it would be worthwhile to continue with a student discount.	Technical skills Leadership skills	P1: A1(d): Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain the impact of currency transactions on 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.

## Comments on performance

### Task 1

In the first element of this task many candidates did not seem very sure what to include in their answers. Having said that, many candidates did explain the potential benefits of the alliance between GymFit and FitTech, and this was a perfectly reasonable approach to have taken. Weaker candidates either made fewer points or provided answers that were lacking in depth. Not many candidates discussed any requirements for a successful alliance, such as the need for a written agreement, or a clear apportionment of responsibilities.

In the second element of this task, most candidates were able to explain the graph and sensibly discuss the two alternative revenue sharing options. Many candidates however did not go on and make a clear recommendation as to which of the two options was the best choice, losing easy marks. Answers on the other factors that should be considered before agreeing to either option generally lacked depth, and, in some cases, candidates ignored this altogether. This weakness in answers on other factors to consider is consistent with comments made in variant one. Candidates must ensure that they answer all aspects of the task and give sufficient time to address each aspect.

### Task 2

In the first element of this task most candidates were able to make enough sensible comments on the decision tree to be awarded reasonable marks. Most candidates also provided a decision as to fix or flex the support contract and provided a reasonable justification for their decision. Unfortunately, many candidates provided very little, and often no, explanation of the probability table, and how this table could be used to inform the decision that needed to be made. Those few candidates that discussed risk as shown by the joint probability for each outcome scored very well. It would appear that there is a lack of technical knowledge in this specific area.

In the second element of this task most candidates were very comfortable discussing the information security risks faced by FitTech as well as the controls to manage these risks. Many candidates scored high marks here. Weaker candidates tended to focus more on general business risks, rather than focussing on the more specific issue of information security.

### **Task 3**

The first element of this task was a struggle for many candidates and resulted in this section having weakest answers for this variant. Most candidates seemed aware that this question involved corporate governance but did not have the knowledge to apply what they knew to the specific scenario of a small quoted company such as GymFit. Some candidates, it often seemed in desperation that the candidate wrote all they knew about UK corporate governance codes, and sometimes CIMA's ethical code. Some candidates did however make sensible observations on one of the NEDs who had previously worked for FitTech and his potential lack of independence.

Answers for the second element of this task were also disappointing. The main problem was that many candidates did not see this as two separate issues and therefore answers were sometimes confusing with weaker candidates simply giving a list of points on budget responsibility with little or no reference to the scenario or the task given. Most candidates were able to discuss the benefits and some drawbacks of involving budget holders in budget setting, but most failed to discuss issues such as clear division of responsibility areas, and that costs needed to be controllable by the budget holder. Many also failed to comment at all on the functional managers mentioned in the unseen material, perhaps showing that the task had not been read properly.

### **Task 4**

The first element of the final task was very well answered. The majority of candidates made sensible comments on the results and recognised the impact of the two different offers on the results, thereby often earning very high marks. Most candidates also made a recommendation and provided a rationale for their recommendation. The task also asked candidates to provide details of any further analysis of the results that could be useful. Many candidates ignored this and lost marks as a result.

The second element of this task seemed to be a real struggle for many candidates who showed a lack of knowledge of accounting for changes in exchange rates. I don't really know why many candidates found this requirement such a problem, apart from clearly a lack of knowledge. All candidates had to do was to take two different kinds of expenditure in a foreign currency, fees and hardware, and explain for each how the purchase invoice should be initially treated, then how any unpaid balances at year end should be treated, and finally how any subsequent payments should be treated. The lack of technical knowledge was disappointing given that this topic area has come up numerous times in previous sessions.

**Variant 3**

Designed to test ability to:		Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Explain the concept of relevant costs and determine which costs on a profit analysis are relevant and which are irrelevant to a decision. Also explain any other factors to be considered.	Technical skills Business skills	P1: C2(a): Apply relevant cost analysis to various types of short-term decisions.
	Explain how to account for surplus equipment 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.
<b>Task 2</b>	Explain sales trend analysis information, the limitations of using this approach to forecast sales volumes and whether scenario planning would improve the analysis.	Technical skills	P1: B2(a): Calculate projected product / service volumes, revenues and costs employing appropriate forecasting techniques and taking account of cost structures.
	Explain social media marketing and its potential benefits giving a recommendation of its suitability.	People skills Leadership skills	E1: E1(b): Apply the elements of the marketing mix.
<b>Task 3</b>	Apply decision maximax, maximin and minimax regret decision criteria to a short-term decision and the usefulness of this decision-making approach.	Technical skills Business skills Leadership skills	P1: D1(c): Apply decision models to deal with uncertainty in decision making.
	Analyse financial information relating to three potential new suppliers.	Technical skills Business skills	F1: C2(a): Analyse trade receivables, trade payables and inventory.
<b>Task 4</b>	Interpret sales and purchase variances for fresh food.	Technical skills	P1: A1(d): Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain the advantages and disadvantages of training staff in-house and the benefits of having trained staff.	Business skills People skills	E1: F2(a): Demonstrate the HR activities associated with developing employees.



## Comments on performance

### Task 1

The first element of this task on relevant costing was particularly well answered. Most candidates could explain the relevant costing approach and identify the relevant and irrelevant costs. Some candidates could explain the limitations of the approach and suggest other factors that needed to be considered however many candidates chose to ignore this part of the task. It is not clear why this wasn't answered but should have been relatively straightforward for candidates.

The second element of this task was reasonably answered by candidates. Many candidates were able to explain some of the criteria to determine whether an asset should be treated as 'held for sale' but some then applied this to the category of assets which were going to be held in storage. Many candidates could explain the accounting treatment of the assets, but others just said there would be no change without giving further explanation. It was also very surprising how many candidates seemed to think that each of the gyms would have a separate statement of financial position.

### Task 2

Overall, this task was well done. In the first element, most candidates were able to give some explanation of the figures given in the trend analysis. Unfortunately, some candidates thought it would be sufficient to just restate the figures without giving further explanation. Some candidates were confused as to how the seasonal variation would be applied to the trend line. Very few candidates actually explained how the figures would be used to forecast the number of members who could access the food and drink outlets.

Many candidates scored well on the social media marketing part of the task. Some candidates however answered the task on social media marketing from previous diets which included explanation of limitations and how social media marketing would be used. Candidates need to address the specific task to score well and irrelevant details, no matter how interesting, will not be given credit.

### **Task 3**

The first element of this task was well answered with the majority of candidates able to explain the different decision criteria and determine the supply level that would be chosen. Candidates however should remember that these criteria are applied when dealing with uncertainty not risk. The part of the task to consider the usefulness of the decision criteria was omitted by a number of candidates. This may have been due to lack of knowledge or alternatively candidates felt it was not worth the time and effort to answer this part of the task. This approach will however make it more difficult for candidates to score well.

The second element of the task was generally not so well answered. Many candidates did little more than to re-iterate the information given in the scenario. More application and interpretation were required to score well on this part of the task and a lot of the answers given were at a very basic level and hence scored poorly.

### **Task 4**

The variance analysis element of the task produced a mixed quality of answers. Most candidates were able to comment on some of the reasons why the variances had arisen, but fewer were able to clearly explain what the variances mean or how they are calculated. The sales mix and sales quantity variances were particularly poorly explained with a number of candidates discussing the mix of ingredients purchased from the supplier or used to make the salads and sandwiches. Some candidates also seemed to think that the prepared food price variance was due to discounting of the products by the catering staff.

The element of the task on in-house training was generally well answered, although many candidates answered about advantages and disadvantages of training generally, rather than the in-house option. Reading the task carefully goes a long way to improving the chances of success!

**Variant 4**

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Apply break-even analysis to decide which franchise agreement is better from a financial perspective and explain other factors to consider.	Technical skills Business skills Leadership skills	P1: C2(b): Apply break-even analysis in multiple product contexts.
	Explain the factors required to ensure a successful strategic alliance.	Business skills People skills	E1: A1(b): Explain the different structures organisations may adopt.
<b>Task 2</b>	Explain the use and limitations of using expected values to forecast sales revenue and the usefulness of probability information in assessing risk.	Technical skills	P1: D1(b): Analyse risk using sensitivity analysis, expected values, standard deviations and probability tables.
	Explain whether franchised gyms would be treated as an operating segment in the financial statements.	Technical skills Leadership 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.
<b>Task 3</b>	Explain the ethical and legal corporate social responsibility issues associated with a data breach.	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 what-if analysis information and the benefits and limitations of using this type of analysis.	Technical skills	P1: B5(a): Analyse the consequences of 'what-if' scenarios.
<b>Task 4</b>	Interpret sales variances.	Technical skills	P1: A1(d): Interpret material, labour, variable overhead, fixed overhead and sales variances.
	Explain whether the acquisition of a 30% stake in a business should be treated as a simple investment or an associate and the impact of each on 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.

## Comments on performance

### Task 1

The first element of this task was fairly well answered by most candidates although few earned high marks. The analysis required to compare the two franchise agreements was weak, often limited to, “costs are higher for option A “and “ franchise fees are lower in option B”. This is observation not analysis. Candidates should explain why any statement made has relevance in the context of the case. Many candidates lost marks because they failed to offer a recommendation, although they were clearly asked for one. As always, it is vital that all aspects of a task are addressed.

The second element of the task was well answered by those who allocated enough time to it. Those candidates who only wrote a single sentence cannot have hoped that this would be sufficient to earn half of the marks on offer for this task. Although this seemed to be an area of the E1 syllabus that had not been studied in depth, most candidates picked up good marks by explaining sensible, practical points rather than the text book answer.

### Task 2

As expected, candidates scored very well explaining expected value and its limitations because in most cases their answers were applied to the case study scenario. However, answers were less focused and accurate for the explanation of the probability distribution table and its usefulness. Disappointingly few candidates seemed aware that the probability distribution table was related to the first two tables and this made it difficult to award high marks.

The second part of this task was answered extremely badly. The task posed was clear, but most answers were unstructured meanderings that jumbled together the factors that determine operating and reporting segments. Where candidates did present answers logically, the points presented were often inaccurate and/or not applied.

### Task 3

The first element of this task should have gained high marks for most candidates, but it did not. Candidates were obviously prepared for a question on corporate and social responsibility (CSR) and wrote quite long explanations of Carroll's CSR pyramid. Unfortunately, this approach did not earn high marks as the task was based solely on the legal and ethical aspects of CSR and answers had to be **applied** to the case to gain high marks.

Candidates did demonstrate a reasonable understanding of "what if " analysis and were able to apply their knowledge to the figures in the table, this was good to see. Answers were poorer when explaining the limitations and benefits of the technique. This is because candidates did not focus on the limitations of the technique but answered a much more general question about why the figures in the table were unlikely to be accurate.

### Task 4

There were some excellent answers to the first element of this task and it was reflected in the marks awarded. Poorer answers were awarded low marks for the following reasons:

- A lack of analysis. Simply stating that membership numbers or prices are higher or lower than budget is not analysis. Candidates must add value to statements by explaining the causes or effects of these differences.
- Not addressing the Finance Manager's query regarding how future reporting could be improved. All aspects of a task must be attempted.

The second element of this task required a knowledge of the factors that determine whether an investment should be considered an associate or a simple investment. As most candidates were unable to write about these factors few marks could be awarded for explaining or applying them. The technical F1 knowledge demonstrated in this variant was poor.

**Variant 5**

	Designed to test ability to:	Competency being tested:	Syllabus component learning outcome:
<b>Task 1</b>	Interpret fee income variances and explain the further information that would assist the analysis. Also explain the benefits of feedforward control.	Technical skills	P1: A1(d): Interpret material, labour, variable overhead, fixed overhead and sales variances. 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.
	Explain how to account for a change in the useful economic life of assets and whether such a change is ethical.	Technical skills People skills Leadership 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.
<b>Task 2</b>	Explain the advantages and disadvantages of outsourcing IT.	Business skills People skills	E1: C2(b): Explain the role of emerging technologies eg: Big Data, digitalisation and their uses.
	Explain a graph showing different pricing options for outsourcing IT and the factors to consider when deciding on the pricing option.	Technical skills Business skills Leadership skills	P1: C2(a): Apply relevant cost analysis to various types of short-term decisions.
<b>Task 3</b>	Explain sustainable practices that could be implemented.	Business skills People skills	E1: D1(b): Demonstrate how supply chains can be established and managed.
	Explain the categories of environmental costs of quality, giving examples appropriate to the business. Also give two environmental performance indicators.	Technical skills	P1: A2(a): Explain the role of environmental costing as part of an environmental management system.
<b>Task 4</b>	Explain the process of zero-based budgeting in the context of marketing and how this would improve efficiency and reduce costs.	Technical skills	P1: B3(b): Discuss alternative approaches to budgeting.
	Explain how to apply 'what-if analysis to the cash budget and give suggestions of how to deal with a cash deficit.	Technical skills	F1: C3(a): Discuss measures to manage the short-term cash position of an entity.

## Comments on performance

### Task 1

In the first element of this task answers were mixed. Where candidates discussed each of the fee income variances in turn and used the information given to them in the scenario to explain the reason for the variance, marks were high. However, disappointingly some candidates discussed the variances in total and therefore marks were limited because such answers did not demonstrate understanding of the specific price, mix and quantity variances. In a number of cases, candidates failed to discuss feedforward control which was disappointing.

Answers to the second element of this task on IAS 8 were generally poor with many candidates writing only a couple of lines. Those that identified this as a change in accounting estimate that would be adjusted for prospectively and explained the impact on the financial statements will have scored well on the technical aspect of this element. Many candidates failed to discuss the ethical issues associated with changing the estimate for the sake of improving profit or make a recommendation. Other candidates missed the point of the task and discussed business ethics and CSR rather than ethical selection of accounting treatments. Very few candidates identified the potential ethical issue of changing the estimate purely to improve profit.

### Task 2

The first element of this task was very well answered by most candidates. High marks were awarded where a range of points were made that were applied to the scenario. The reasons for low scores here were usually because answers were either too brief or focused too much on one point.

In the second element of this task involving the comparison of pricing options answers were mixed in quality. Some candidates failed to relate their answers to the anticipated growth from the pre-seen. Recommendations were once again rather poor, with candidates preferring to sit on the fence by saying if numbers rose above the point of indifference then chose the fixed cost option, if not, choose the variable cost option. Again, this showed a lack of understanding from the scenario and the pre-seen, and a lack of confidence in making a recommendation. Few candidates mentioned the other factors to consider, however, marks were available if they had mentioned these on other parts of their answer.

### Task 3

In the first element of this task most candidates scored well. A good range of sustainable practice from sensor lights to the appropriate selection of sustainable suppliers for equipment and building materials were considered. Some candidates indicated deeper understanding of this area by referring to the Global Goals. Most candidates did comment on the impact on stakeholders and indeed many scored full marks for this because they had considered all stakeholders and not just shareholders.

The second element of this task was less well answered. A significant number of candidates failed to realise that this was to do with **environmental** costs rather than quality costing. Application to the pre-seen was generally poor with too few candidates able to come up with environmental cost examples relevant to GymFit. Environmental performance measures when answered tended to be linked to cost rather than say energy usage or carbon emissions. Explanations of how these measures were relevant to the business were usually missing which limited the marks available. As noted before, candidates must ensure that they answer all aspects of a task.

### Task 4

In the first element of the final task, most candidates demonstrated a good general understanding of zero-based budgeting (ZBB) and incremental budgeting, however, many did not explain the process of ZBB which is what has been asked for. A number of candidates discussed each of the costs shown on the attachment in turn and how the marketing department would question the necessity of each cost. This became rather repetitive and did not really address the task as there was no mention of decision packages. Some candidates did not use the Marketing Department costs in their answer showing a lack of application.

The second element of this task was not well answered on the whole. Many candidates explained what cash flow forecasts were rather than how 'what if' analysis could be applied to the cash forecast and hence lost marks. It would appear that there is a lack of technical understanding of 'what if' analysis. In addition, what should have been a relatively easy task about actions to deal with a cash deficit was often badly done. Many candidates simply listed generic suggestions without thinking about the nature of receivables and payables for this business.



## 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.
- 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.
- Use the information given to you within the case study itself, especially financial information. 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.