

November 2024 & February 2025
Management Case Study
CGMA Professional Qualification
Full post exam support materials

Below are the full post-exam supporting materials for the Management Case Study Exam. Use the links on this page to jump to the documents required.

Pre-seen material

November 2024 and February 2025 Management Case Study [pre-seen](#).

Examiner's report

The May and November 2024 [examiner's report](#).

Exam variants

- [Variant 1](#)
- [Variant 2](#)
- [Variant 3](#)
- [Variant 4](#)
- [Variant 5](#)
- [Variant 6](#)

Suggested solutions

- [Suggested solutions for variant 1](#)
- [Suggested solutions for variant 2](#)
- [Suggested solutions for variant 3](#)
- [Suggested solutions for variant 4](#)
- [Suggested solutions for variant 5](#)
- [Suggested solutions for variant 6](#)

Marking Guidance

- [Marking guidance for variant 1](#)
- [Marking guidance for variant 2](#)
- [Marking guidance for variant 3](#)
- [Marking guidance for variant 4](#)
- [Marking guidance for variant 5](#)
- [Marking guidance for variant 6](#)

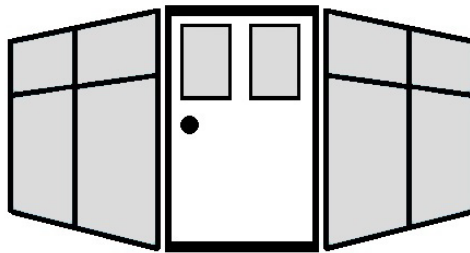
If you need any further information please [contact us](#).

Management Case Study Examination

November 2024 – February 2025

Pre-seen material

Shinyglas



Context Statement

We are aware that there has been, and remains, a significant amount of change globally. To assist with clarity and fairness, we do not expect students to factor these changes in when responding to, or preparing for, case studies. This pre-seen, and its associated exams (while aiming to reflect real life), are set in a context where current and on-going global issues have not had an impact.

Remember, marks in the exam will be awarded for valid arguments that are relevant to the question asked. Answers that make relevant references to current affairs will, of course, be marked on their merits.

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Introduction

Shinyglas manufactures double-glazed windows and doors for installation in domestic and business properties. It is the largest fabricator of windows and doors in its home country of Templand.

Templand's currency is the T\$. Templandian company law requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

You are a financial manager at Shinyglas' head office. Your primary responsibilities are associated with management accounting and you report to Martin Thawani, Senior Financial Manager, who reports directly to the Finance Director.

Double glazing

Traditionally, windows consisted of single panes of glass that were mounted in wooden frames. Single-glazed windows were relatively easy to install and repair. Unfortunately, single-glazed windows are not particularly good at preventing heat loss. Heat can be conducted through the window glass. Cold air can also come in through gaps in the wooden frames. A single-glazed house can lose up to 70% of its heat through the windows, depending on the design and construction of the house and its windows.

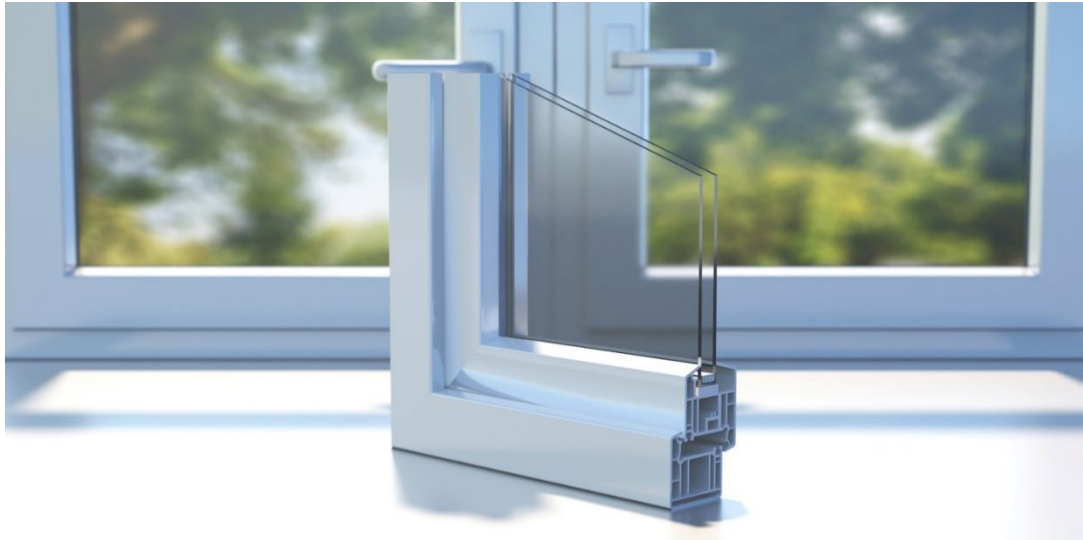


Double-glazed windows have two panes of glass, with a sealed space between them. The two panes of glass permit much less heat to escape through conduction than a single pane. The sealed space between the frames is filled with either air or an inert gas such as argon, which further reduces heat loss.

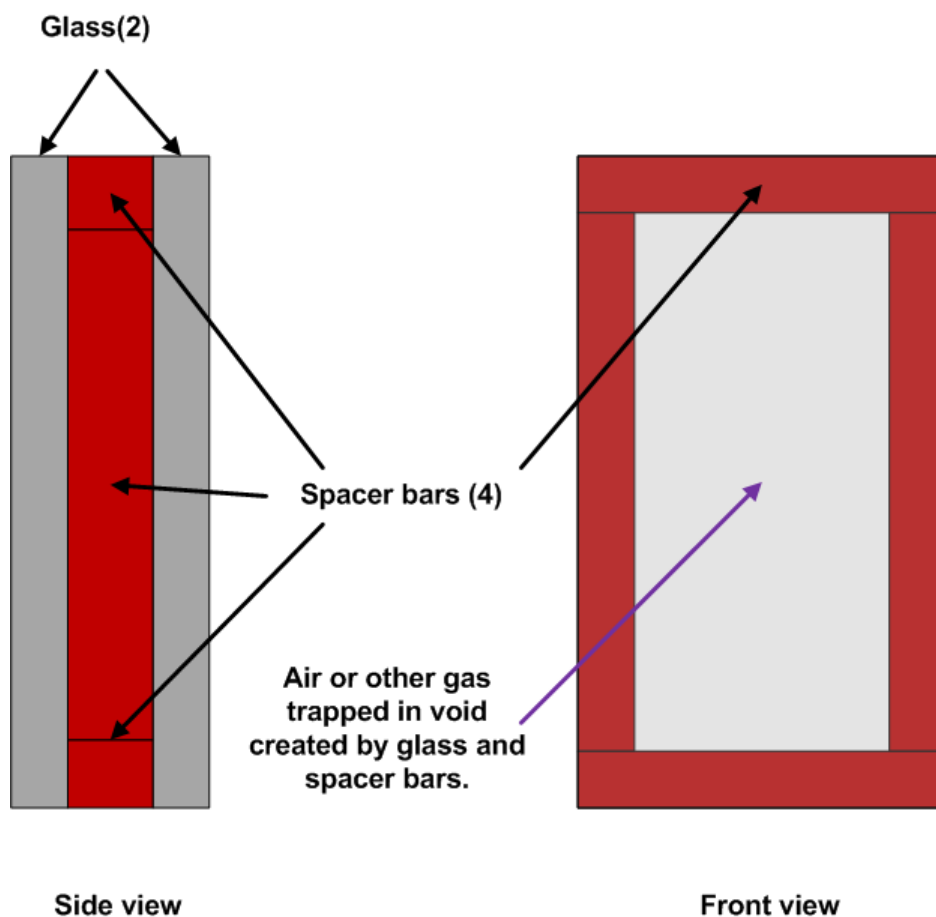
Houses fitted with double glazing tend to lose less heat through their windows than single-glazed homes. A typical double-glazed house will lose 10-15% of its heat through the windows. Double glazing is frequently marketed on the basis that it retains heat within buildings and so reduces both heating costs and carbon emissions, making it a sustainable investment for a property owner.

Double glazing is also marketed on the basis that it acts as a sound barrier against street noise. It is more effective at reducing noise than single glazing.

Double glazing is also quite robust compared to single glazing, which makes it more difficult for intruders to break into a property that has been double glazed. It is, however, still possible to break the glass in a double-glazed window.



The glass used in double glazing is supplied in the form of sealed units. A sealed unit consists of two panes of glass that are joined around their edges by a spacer bar. The glass and spacer bar are held together using adhesive that creates a solid seal.



It is important that the seal remains secure, otherwise moisture can be absorbed into the void within the sealed unit, which permits condensation within the window. That is unsightly and blocks occupants' views of the outside. Seals can fail, either because of manufacturing defects, or because of movement caused by expansion and contraction due to temperature changes over time. These failures might not occur until years after installation.



Most window glass is manufactured using the float glass method, which is made by floating molten glass on a bed of molten metal to produce good quality glass that is uniform in both flatness and thickness. This process results in clarity and low distortion. Float glass can be further processed to change its characteristics:

- Toughened glass is more difficult to break than normal float glass, which makes it suitable for large windows or for applications requiring high security. Toughened glass also offers greater safety because it breaks into tiny granules that do not have sharp edges. Normal glass will shatter into jagged shards, which can cause serious injury in the event of an accident.
- Laminated safety glass consists of two layers of glass that have been fused together with resin between the layers. It is difficult to break through a piece of laminated glass because the resin layer holds the glass in place, even when it is broken, which enhances security. Laminated glass is also safe because a broken window will crack, but it will not release fragments of glass that could cause injury.
- Frosted glass is opaque, which offers greater privacy than clear glass. It blurs any images viewed through the glass, making it suitable for bathroom windows.

- Soundproof glass reflects more external noise than normal float glass. That makes it more suitable for noisy environments or for applications where external sound would create problems, such as recording studios.

Sealed units can be made using normal float glass or any of the above alternatives. For example, a large window that goes from floor to ceiling level should be made using laminated or toughened glass so that anyone who falls through the window will not be cut by shards of glass.

The sealed units themselves are fixed within frames. Frames are designed to conceal the spacer bars.



Windows have to be designed to fit the space and also to allow for the function of the window. The cheapest designs consist of a single sealed unit in a frame that fills the space. More complicated designs have hinged sections that allow windows to open for ventilation purposes. Openings may be restricted to a few centimetres in the case of windows on the upper floors of tall buildings, or they may open fully to enable occupants to escape through ground floor windows in the event of a fire.

Sealed units are supplied by three specialist manufacturers, all of whom are based in Templand. Even major door and window fabricators find it cheaper to buy sealed units from third parties than it would be to make their own.

The frames used to mount double glazing can be made from different materials:

uPVC	<p>uPVC is a type of plastic that can be used to make window frames. It is strong and can be fitted directly into brickwork, with no need for a wooden subframe.</p> <p>uPVC is supplied as a box section that is reinforced internally with galvanised steel or aluminium.</p> <p>uPVC is usually supplied as a bright white box section, but it can be manufactured with an artificial woodgrain colour and texture. It is weather resistant and does not discolour due to exposure to moisture and sunlight.</p> 
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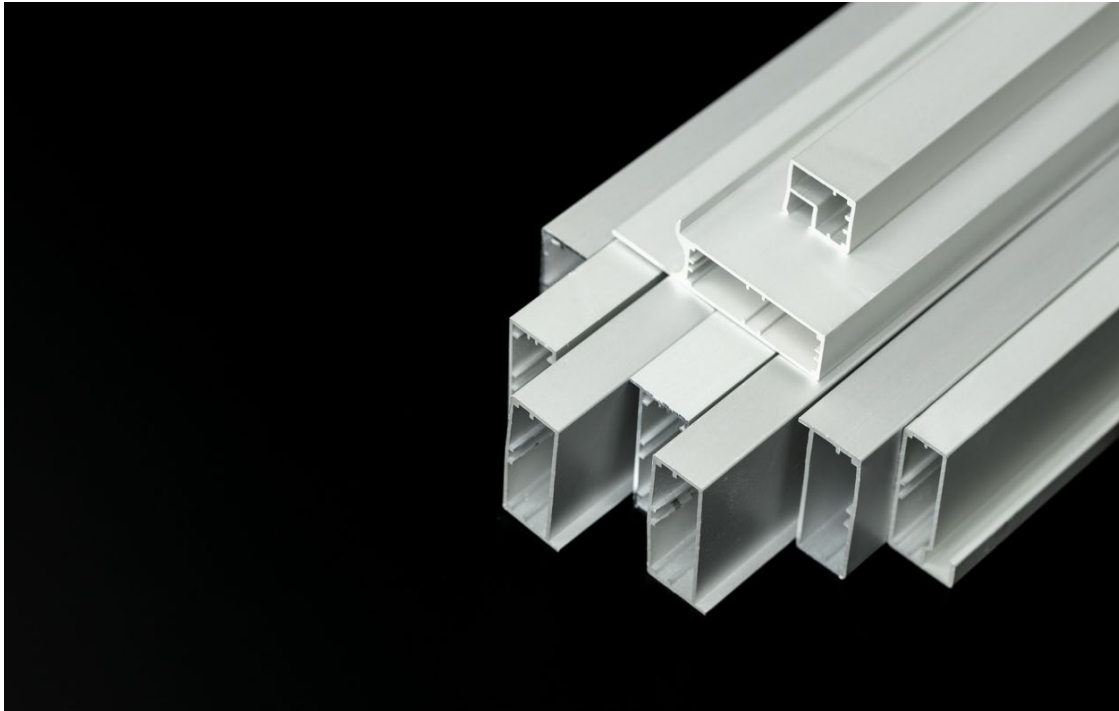
Aluminium	<p>Aluminium window frames were popular before the introduction of uPVC. They are very durable, offering scope for rigid frames that resist warping and twisting. Aluminium does not absorb water and so it does not rust.</p> <p>Aluminium is highly suitable for any application that requires strength. For example, commercial premises that will have large windows and/or a need to discourage burglars.</p> <p>Aluminium frames can be fitted directly into brickwork, but they are usually built into a hardwood subframe. One disadvantage of aluminium is that it can corrode over time if it is in direct contact with brickwork.</p>
Wood	<p>Wooden window frames can be made from either softwood or hardwood. Some customers prefer wood because it is an attractive, natural material. It is particularly well suited to older buildings that had wooden single-glazed windows when they were first built.</p> <p>Wooden windows tend to be more expensive than aluminium or uPVC. They must also be treated regularly to resist rot and fungus, either of which will require the replacement of the windows.</p>

Wooden frames are made from lengths of timber that are joined together using techniques such as mortice and tenon joints, adhesive and fasteners such as nails, pegs and screws. Industrial robots can be used to cut lengths of wood to the precise dimensions required to create frames that fit the wall precisely and can accommodate the sealed units required by the design, with the correct combinations of fixed and opening units.



uPVC and aluminium frames are made out of preformed sections of material. These are supplied in long lengths with standard widths and heights. These sections can be cut to specific lengths to build frames to the exact dimensions required by the customer.

The sealed units and the frames used in double-glazed windows are heavy. Mechanical components such as hinges, catches and locks must be robust to ensure that they operate smoothly and do not become distorted over time because of the weights they have to bear.



Double glazing can be used in doors as well as windows. For example, shops and offices frequently have fully-glazed doors with sealed units set into metal frames. For safety and security, commercial doors are usually made using toughened or laminated glass.



Doors for the domestic market are often made out of wood or uPVC, with sealed units set into the doors in order to allow light into the house.



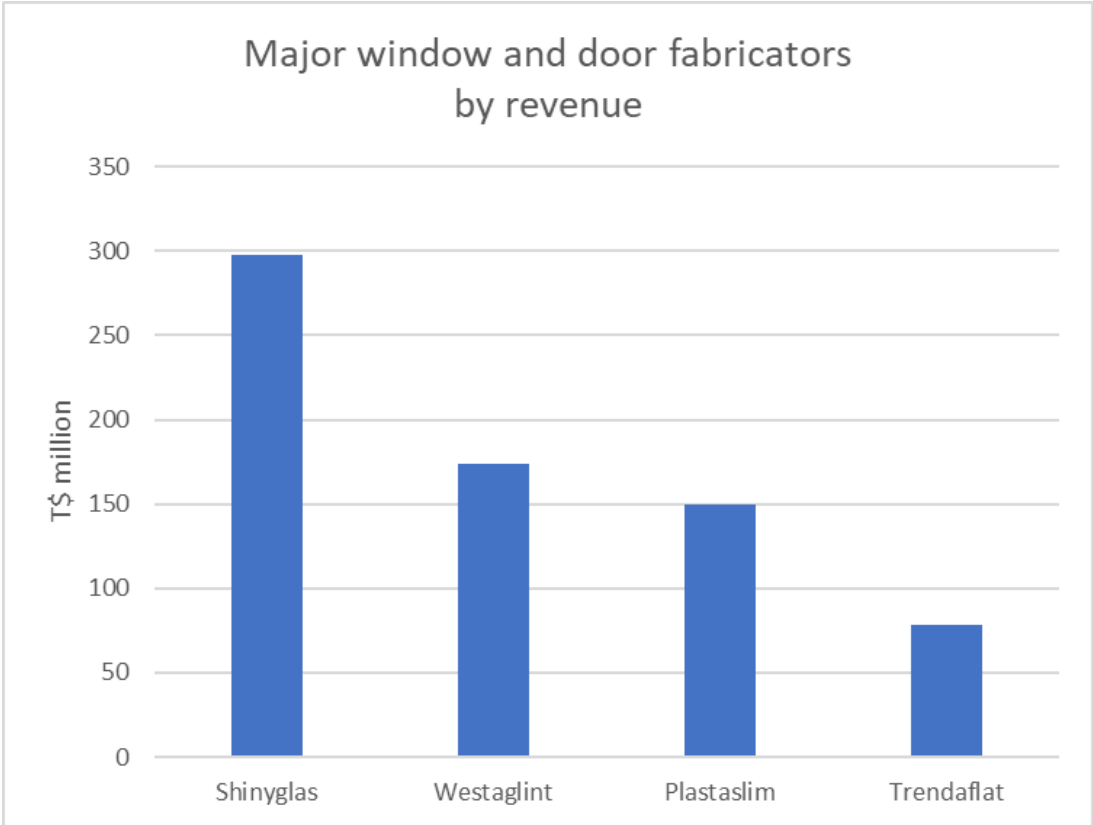
The double-glazing industry

The double-glazing industry comprises many different companies, split between the following categories:

Window and door fabricators	<p>There are several large companies who manufacture windows and doors to order for both householders and commercial customers.</p> <p>The largest fabricators have national identities, advertising their products in newspapers and magazines, on television and online.</p> <p>There are also many small businesses who serve local markets. They tend to make doors and windows from hardwood, which requires greater skill in manufacture and so suits low-volume production.</p> <p>Householders can buy anything from just one window or door to a full replacement of all their existing windows and doors.</p> <p>Commercial customers, such as builders, may require large numbers of windows and doors for the construction of a tower block or a residential housing estate.</p>
Sealed unit manufacturers	<p>Sealed units are manufactured by specialists who supply window and door fabricators and repairers.</p> <p>Units usually come in standard sizes so that costs can be reduced through mass production. It is, however, possible to make units in bespoke sizes to enable flexibility in the design of windows.</p>
Window and door installers	<p>Window and door fabricators generally focus on the manufacture of windows and doors. They subcontract the installation to local specialists who can fit the windows.</p> <p>Typically, replacement windows and doors are sized to fit existing openings. The installers require some skill to</p>

	ensure a satisfactory fit, but they do not have to undertake any building work.
Repair and maintenance	Doors and windows can require adjustment or repair as they get older. For example, the weight of a heavy door can strain hinges, making the door stick when it is opened or closed. There are specialist repairers who can make the necessary adjustments to resolve such problems. They can also replace defective parts, such as sealed units that have failed and are trapping condensation between panes.

There are four major window and door fabricators in Templand:



These companies account for 45% of the Templandian market for replacement doors and windows. Most of the other suppliers are either small fabricators, who install doors and windows in their local markets, or are installers who sell locally and rely on medium-sized fabricators to manufacture doors and windows.

None of the major fabricators supply third-party installers.

Shinyglas

Shinyglas was founded in 1962. Templand’s economy was growing rapidly at that time and wages were increasing in real terms. Many householders invested in home improvements, including double glazing. Most homes at that time had poor insulation and were single glazed.



Shinyglas grew steadily. By 1990, the company had established itself as Templand's largest window and door fabricator. Double glazing proved to be a popular home improvement in Templand. The country has a mature economy and average wages are relatively high. Large numbers of people own their own homes. Temperatures vary significantly between seasons, with warm summers and cold winters.

The company focussed heavily on product quality and customer service. Its products were frequently ranked best in comparisons of value for money conducted by independent consumer organisations, despite the fact that those products were generally more expensive than those offered by competitors.

Shinyglas also made effective use of advertising. The company invested heavily in advertising on television and in newspapers.

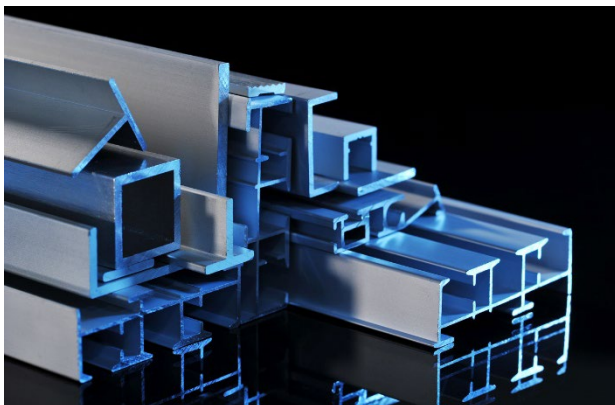
Through a heavy financial investment, Shinyglas succeeded in creating strong brand awareness at a time when the internet and social media was not available.

The company also led in product development. In the mid-1980s, Shinyglas became the first company to offer uPVC frames in Templand. Shinyglas continues to develop new features for its doors and windows.

By 2000, most homes and commercial premises had double glazing and so demand for replacement doors and windows was limited. Shinyglas has, however, benefitted from a steady growth in the construction of new houses because builders always specify double-glazed windows and doors in new properties. Several builders buy windows and exterior doors from Shinyglas. All new windows and doors must comply with rules relating to safety and heat retention imposed by the Templandian government. Some homeowners replace their windows and doors in order to comply with these rules, hoping to enhance the value of their homes. Others replace older double-glazed windows and doors in order to benefit from the improved quality of modern products.

Manufacturing

Shinyglas makes its own frames at a factory in Templand. The company purchases lengths of uPVC and aluminium that have been preshaped to Shinyglas' requirements by their manufacturers using a process called "extrusion". The resulting extrusions are supplied as long lengths of uPVC or aluminium. Shinyglas makes frames by cutting sections of extrusion to their required lengths before joining them together with the appropriate brackets and hinges.



The shapes of the extrusions are designed to ensure that the quantity of material is minimised without compromising strength.

Shinyglas recommends uPVC for use in doors and windows for houses and aluminium for shops, offices and other commercial properties.

Shinyglas' factory is equipped to manufacture doors and windows to meet customers' precise requirements. The designs are sent to the factory with detailed measurements for each door and window frame.



The factory buys sealed units of the appropriate sizes and types of glass from third-party manufacturers, as required to fulfil each order. The frames are then made from lengths of uPVC or aluminium extrusion that have been cut to size using Shinyglas' computer numerical control (CNC) equipment.

Shinyglas also buys fittings, including brackets, hinges and locks, from third-party manufacturers.

Doors and windows leave the factory preassembled and ready to install.

Sales

Shinyglas sells to customers across the whole of Templand. It promotes its products through a variety of media:

- The company's website is kept up to date with the latest products and developments. Customers can arrange for a sales visit directly through the website. Alternatively, they can provide contact details if they wish to do so. Shinyglas will then keep contact through email, telephone calls or brochures sent by post.
- Shinyglas continues to advertise on television and in newspapers. Potential customers can ring the company's call centre to request a brochure or to arrange a sales visit.
- Customers are asked to recommend Shinyglas to their friends. If sales leads provided by customers result in sales, then the company grants discounts to the friends and on any subsequent purchases made by the customers.

All of Shinyglas' salespeople are self-employed. They are paid on a commission basis. Salespeople can earn a great deal if they work hard and succeed. The average annual commission is T\$55,000, which is 50% higher than the national average income in Templand. The company has 550 salespeople.

Salespeople receive initial training in sales techniques and in Shinyglas' products when they first join the company. They are required to attend further training twice a year. Sales courses are conducted for groups of salespeople in hotel function rooms located across Templand.

Shinyglas has an online diary system. Salespeople are required to indicate when they are available to make sales visits, bearing in mind that most potential customers will prefer sales visits at weekends or on weekday evenings. These diaries are used to list available dates and times to potential customers who wish to book a sales visit online. Call centre staff can also access the diary to make appointments over the phone.





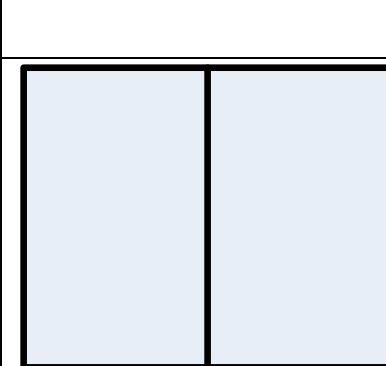
The diary system takes account of locations. Salespeople are expected to make sales visits within an 80-kilometre distance from their homes.

Salespeople must provide their own cars and laptops. Shinyglas provides them with samples, including small window units that can be used to demonstrate the quality of the materials and fittings used.

Salespeople start their visits by determining the potential size of the order and establishing an indication of the customer's budget. They describe Shinyglas' products and explain why those would be suitable for the customer's needs. Salespeople are trained to maximise the value of each sale, so they will frequently attempt to encourage customers to spend more in order to benefit from quantity discounts. They also seek to persuade customers to commit themselves to purchasing during that visit, partly to be certain of a sale and partly to avoid the need to make a return visit.

Salespeople are trained to measure the spaces that replacement doors or windows are required to fit and to design the door or window units to meet customers' needs, taking account of the location and associated safety matters.

For example, a customer might wish to replace a window that is 120cm by 110cm:

	<p>The simplest, and cheapest, option would be to supply a window consisting of an individual glazed unit. That would be the easiest to make because it would require only four lengths of uPVC or aluminium to make the entire frame.</p> <p>The only moveable part that would be required would be the trickle vent, which is a small gap in the top of the frame with a flap that can be opened to permit a small amount of ventilation.</p>
	<p>An individual glazed unit might not offer sufficient ventilation, so an alternative could be to fit two small openings at the top of the window. These will permit a stronger airflow than the trickle vent.</p> <p>The upper windows would not be particularly heavy, so they would not require robust hinges. The openings would be too small for an intruder to slip through, so they would not require locks. This style of window would cost more than a window consisting of an individual glazed unit, but it would still be relatively inexpensive.</p>
	<p>A third possibility would be to have two opening sections, each half the width of the window. Apart from maximising ventilation, opening both sections would permit rapid escape in the event of a fire.</p> <p>The size and weight of the sealed units would require strong hinges. The ease of access would require the windows to be lockable and so secure catches would be required. This would be a relatively expensive window.</p>

Salespeople are provided with price lists that can be used to determine the list price of the doors and windows that the customer wishes to order. These price lists take account of the size and complexity of each door and window. The list price of a large window with complicated openings will be greater than that of a smaller window or one that has fewer openings.

Salespeople are authorised to give customers discounts of up to 60% in order to make a sale, although the commission system is designed to encourage salespeople to negotiate the

smallest possible discount. The maximum commission paid to sales staff is 25%, which is payable when the customer agrees to pay the full list price for an order. The higher the discount offered to customers, the lower the commission paid to sales staff. Discounts exceeding 45% attract no commission whatsoever.

Shinyglas requires its salespeople to phone to seek permission from their regional sales managers before finalising a sale. Sales managers might refuse a sale because they believe that the salesperson has granted an excessive discount. In these circumstances, an experienced salesperson will usually attempt to restructure the deal in order to satisfy the regional sales manager. For example, it may be possible to persuade the customer to increase the size of the order or simply to agree that it is worth paying a little more for Shinyglas' excellent product quality. Alternatively, the potential sale will be lost.

If the order is approved, the contract is signed and the salesperson takes a 5% deposit from the customer, with full payment due on the completion of the installation.

Double glazing is expensive and so most customers must borrow to cover the cost. Shinyglas has an arrangement with a large finance company. Salespeople assist customers to complete applications for loans. Once a loan is approved, Shinyglas receives a commission from the finance company, which is shared with the salesperson concerned.

Salespeople report to regional sales managers who are based at Shinyglas' head office. Salespeople are evaluated primarily on commercial considerations such as:

- sales
- discounts granted to customers
- percentage of sales visits that result in approved sales
- proportion of customers who apply for loans using Shinyglas' recommended lender

Successful salespeople are given a higher priority in the allocation of sales leads through the online diary system. Customer requests for sales visits are more likely to be passed on to salespeople who are performing well.

Experienced salespeople may be given leads relating to large commercial sales, such as the replacement of windows and doors in shops or offices or the supply of windows and doors to builders who are planning to build a housing development. The commissions on such large sales can be substantial.

Installation

Shinyglas has a network of independent installers that covers the whole of Templand. The company uses 40 companies that employ a total of 650 surveyors and fitters. The installers handle the technical aspects of checking measurements and designing and installing doors and windows on Shinyglas' behalf. They are paid on a job-by-job basis for the work that they undertake.

Salespeople pass sales contracts to Shinyglas' Operations Department. Operations then arranges for an installer who is local to the customer to send a surveyor to visit the customer.



The surveyor checks that the salesperson's measurements are accurate and that the design of doors and windows is compliant with all applicable regulations. Occasionally, the surveyor finds an error in the salesperson's work. In that case, any additional cost arising from the corrected design is deducted from the salesperson's commission.

The installer sends the finalised designs back to the Operations Department, who then provides details to Shinyglas' factory. The factory estimates a

completion date for the manufacture of the doors and windows, the installer is informed and an installation date is arranged with the customer.

Installers are independent businesses. They are paid on the basis of the number of doors and windows that they install on behalf of Shinyglas. They are required to use vehicles that carry the Shinyglas logo and to have their staff wear shirts that carry the logo.

Shinyglas evaluates installers on the basis of customer feedback, which is monitored by Customer Care staff at head office.

Builders who place large orders for replacement doors and windows or for the construction of new builds usually provide Shinyglas with precise measurements prepared by their own architects, so that there is no need for Shinyglas to conduct a survey before manufacturing. Builders also tend to use their own staff to install doors and windows as part of the construction process.

Shinyglas' head office and factory

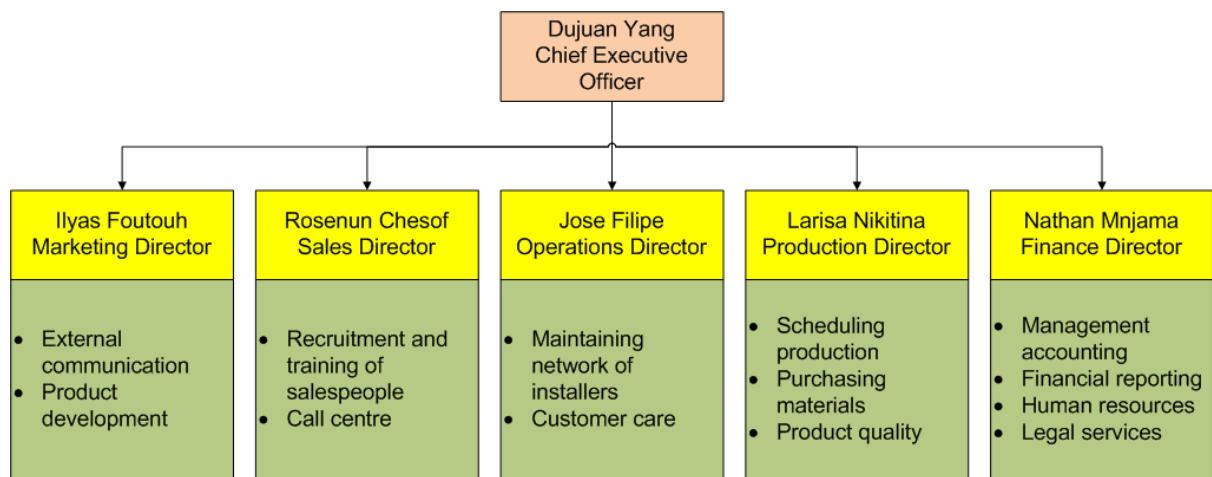
Shinyglas' head office employs 240 staff. The company has a further 160 staff at its factory. The head office and factory are adjacent to one another in Central City.

Marketing	<p>There is a competitive market for replacement doors and windows. These are expensive products and customers generally obtain quotes from multiple suppliers.</p> <p>Shinyglas' Marketing Department is responsible for maintaining the company's reputation as a reliable provider of high-quality replacement doors and windows. Marketing has a substantial budget that is used to create advertising campaigns. These are used to update website content and for broadcast and printed adverts on television and in newspapers.</p>
Sales	<p>The Sales Department has several roles within Shinyglas.</p> <p>The Sales Department is responsible for recruiting and training salespeople. The company suffers a small but persistent loss of staff. Some salespeople struggle with the stresses associated with working on a commission-only basis and having to work mainly in evenings and at weekends. Sometimes successful staff leave for even better paid sales jobs with other companies, not necessarily in double glazing.</p> <p>Newly-appointed salespeople must attend a week-long course covering sales techniques and Shinyglas' product range. Training is ongoing and all salespeople are required to attend training courses every 6 months. These courses focus on updating product knowledge and learning the latest sales techniques. All courses are organised on a regional basis by the Sales Department, using function rooms in local hotels.</p>

	<p>Regional sales managers are full-time employees who are based at head office. Regional sales managers work in shifts so that salespeople can make contact at any time from 08:00 to 22:00, 7 days per week. Salespeople are required to seek approval from their duty regional sales managers before signing sales contracts. Regional sales managers may refuse the terms that have been discussed with customers because the discount that has been offered is excessive or because the order is too small to be worth fulfilling. The need to seek approval encourages salespeople to press for better terms or for larger sales when negotiating with customers, even if that leads to some lost sales.</p> <p>Regional sales managers also monitor the performance of salespeople and can reward those who have been successful with additional sales leads or with leads for potentially large sales. All salespeople are self-employed, so it is easy to dismiss them if they are unsuccessful in converting sales leads to sales orders.</p> <p>The Sales Department is also responsible for the management of Shinyglas' call centre. Call centre operators receive calls from potential customers who wish to book sales visits. They also make sales calls to potential customers who provide contact details through the website or by using response coupons in newspapers. The call centre can also redirect calls to Operations or Customer Care if customers have queries about a forthcoming installation or a complaint about their doors or windows.</p>
Operations	<p>The Operations Department organises the administrative aspects of making doors and windows and arranging for their installation.</p> <p>Operations coordinates the activities of the factory and the local installers to ensure that doors and windows are manufactured and installed at a time that is convenient for the customer.</p> <p>Most household installations can be completed in a single day.</p>
Customer Care	<p>Shinyglas guarantees its products for 10 years. Customers contact the Customer Care Department if they believe that their doors or windows have become defective within that time.</p> <p>Customer Care will arrange for the installer's surveyor to attend the property and to submit a report. Alternatively, an independent glazing repair company may be asked to carry out the inspection.</p> <p>If the surveyor's report indicates that the problem is covered by the guarantee, then Customer Care will arrange for a local installer or repair company to correct it. Shinyglas prefers to use the original installer, but that may not always be possible.</p> <p>Shinyglas' guarantee covers manufacturing defects and installation errors. It does not cover:</p> <ul style="list-style-type: none"> failed sealed units, unless the unit fails within 12 months of installation accidental damage <p>The Customer Care Department contacts customers after every installation to gather feedback on all aspects of their order and subsequent installation. Information gained from that feedback is passed to the Sales Department and to Operations. Installers whose feedback is consistently positive tend to be allocated more jobs.</p>

Product Development	Shinyglas has a team of engineers who work closely with the Marketing Department in order to develop new products. Shinyglas is constantly introducing new features, such as a recent change to the manner in which frames are constructed. The new construction methods make it extremely difficult for burglars to remove sealed units from doors and windows from the outside of a home, which enhances security in comparison with competitors' products.
Administration and Finance	The Administration and Finance Department is responsible for several areas, including human resources, legal services and accounting.
Production	The factory has a management team that is responsible for supervising manufacturing activities. There are also supervisors and operators who operate the equipment and conduct quality control.

Shinyglas' Board structure

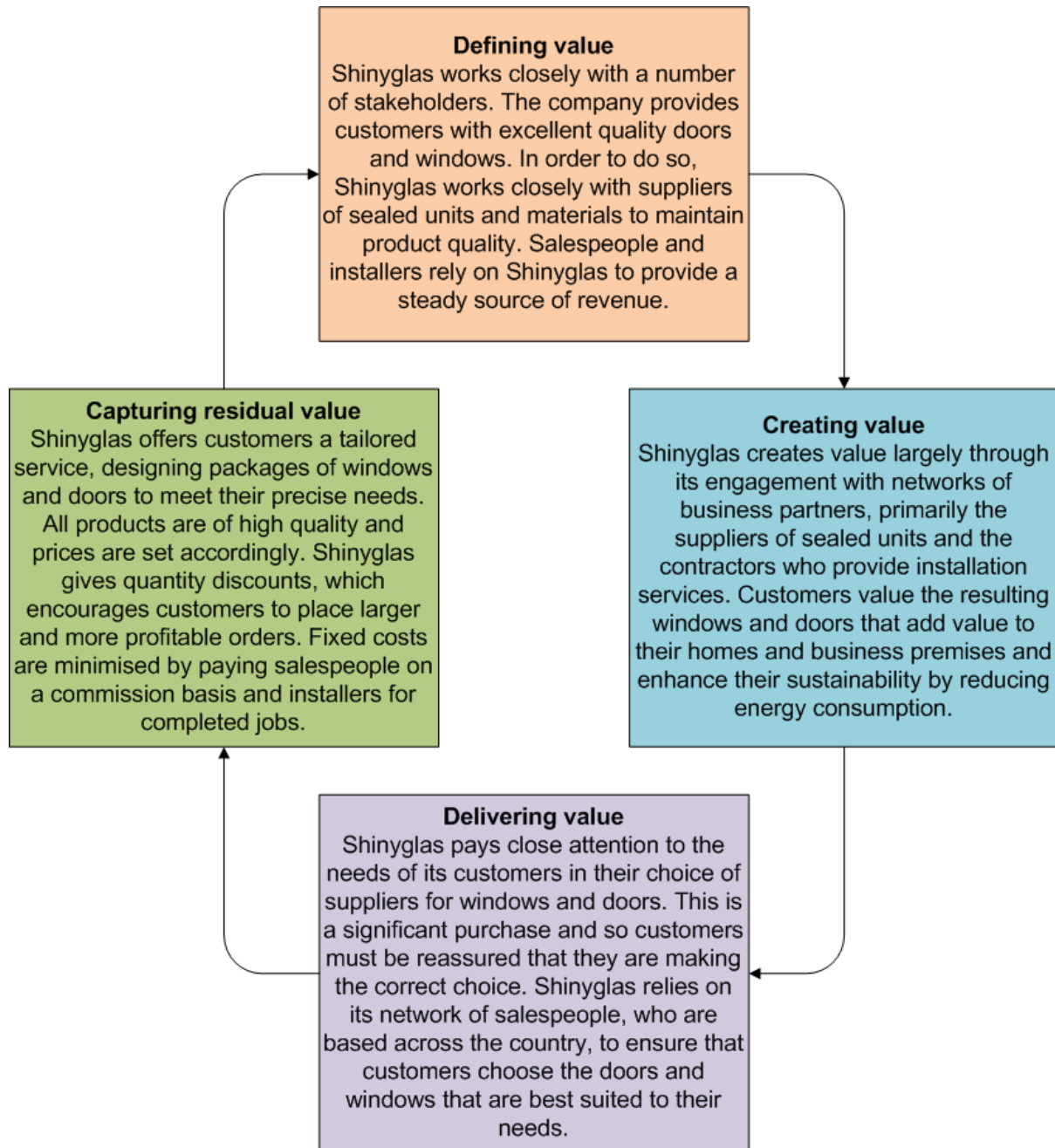


Shinyglas' Board also includes the following non-executive directors:

- Alison Hall – Non-Executive Chair
- Fatih Bozkurt
- Nurul Rafeah
- Parwadi Moengin
- Sophia Bjorsnes

Shinyglas' business model

Shinyglas wishes to remain the largest fabricator of windows and doors in its home market.



Extracts from Shinyglas' annual report

Shinyglas Group

Consolidated statement of profit or loss

For the year ended 30 September

	2024	2023
	T\$ million	T\$ million
Revenue	298.1	271.3
Cost of revenues	(131.2)	(127.5)
Gross profit	166.9	143.8
Operating expenses	(50.7)	(51.5)
Operating profit	116.2	92.3
Finance costs	(72.0)	(72.0)
Profit before tax	44.2	20.3
Tax	(5.7)	(2.4)
Profit for year	38.5	17.9

Shinyglas Group

Consolidated statement of changes in equity

For the year ended 30 September 2024

	Share capital and premium	Retained earnings	Total
	T\$ million	T\$ million	T\$ million
Balance at 1 October 2023	400.0	1,210.7	1,610.7
Profit for the year		38.5	38.5
Dividends		(28.9)	(28.9)
Balance at 30 September 2024	400.0	1,220.3	1,620.3

Shinyglas Group
Consolidated statement of financial position
As at 30 September

	2024	2023
	T\$ million	T\$ million
Non-current assets		
Intangible assets	187.6	170.3
Property, plant and equipment	2,225.5	2,229.4
	<u>2,413.1</u>	<u>2,399.7</u>
Current assets		
Inventory	2.1	2.0
Trade and other receivables	7.4	7.1
Bank	14.3	15.4
	<u>23.8</u>	<u>24.5</u>
Total assets	<u><u>2,436.9</u></u>	<u><u>2,424.2</u></u>
Equity		
Share capital and share premium	400.0	400.0
Retained earnings	1,220.3	1,210.7
	<u>1,620.3</u>	<u>1,610.7</u>
Non-current liabilities		
Loans	800.0	800.0
Current liabilities		
Trade and other payables	11.4	10.9
Tax	5.2	2.6
	<u>16.6</u>	<u>13.5</u>
	<u><u>2,436.9</u></u>	<u><u>2,424.2</u></u>

Extract from Westaglint's annual report

Westaglint is one of Shinyglas' direct competitors. It is organised in a similar manner, with its own networks of salespeople and installers across Templand.

Westaglint Group

Consolidated statement of profit or loss

For the year ended 30 September

	2024	2023
	T\$ million	T\$ million
Revenue	173.8	159.9
Cost of revenues	(73.0)	(70.4)
Gross profit	100.8	89.5
Operating expenses	(26.9)	(25.7)
Operating profit	73.9	63.8
Finance costs	(54.0)	(54.0)
Profit before tax	19.9	9.8
Tax	(2.4)	(1.2)
Profit for year	17.5	8.6

Westaglint Group

Consolidated statement of changes in equity for the year ended 30 September 2024

	Share capital and premium	Retained earnings	Total
	T\$ million	T\$ million	T\$ million
Balance at 1 October 2023	300.0	898.7	1,198.7
Profit for the year		17.5	17.5
Dividends		(13.4)	(13.4)
Balance at 30 September 2024	300.0	902.8	1,202.8

Westaglint Group
Consolidated statement of financial position
As at 30 September

	2024	2023
	T\$ million	T\$ million
Non-current assets		
Intangible assets	135.4	128.4
Property, plant and equipment	1,655.9	1,648.2
	<u>1,791.3</u>	<u>1,776.6</u>
Current assets		
Inventory	1.8	1.2
Trade and other receivables	6.6	8.2
Bank	12.1	19.9
	<u>20.5</u>	<u>29.3</u>
Total assets	<u><u>1,811.8</u></u>	<u><u>1,805.9</u></u>
Equity		
Share capital and share premium	300.0	300.0
Retained earnings	902.8	898.7
	<u>1,202.8</u>	<u>1,198.7</u>
Non-current liabilities		
Loans	600.0	600.0
Current liabilities		
Trade and other payables	6.8	6.4
Tax	2.2	0.8
	<u>9.0</u>	<u>7.2</u>
	<u><u>1,811.8</u></u>	<u><u>1,805.9</u></u>

News reports

Templand Business Daily

Environmental campaigners call for greater transparency from window companies



Environmental campaigners have issued a statement condemning the ways in which manufacturers and retailers persuade consumers to purchase unnecessary products on the grounds that they will reduce their carbon footprint by doing so. One notable example is double glazing, which is often presented as a sustainable and environmentally-friendly product. Modern uPVC doors and windows reduce heat loss in comparison to older versions and so reduce

energy consumption. This reduction is often promoted as a good reason to upgrade to the very latest windows and doors.

The campaigners are concerned that manufacturers frequently exclude the environmental impact of manufacturing from their arguments about the switch to “more sustainable” products. For example, double glazing requires the manufacture of glass for new sealed units. Glass is made from plentiful materials such as sand, but it requires those materials to be melted in a furnace, which consumes a great deal of energy. Sealed units for use in double glazing tend to be made in specialist factories. The units themselves are heavy and must be shipped to fabricators to be inserted in door and window frames. The energy consumed in making and installing a new set of doors and windows can take years to recover from the energy saved through superior insulation.

Templand Daily News

Property column – be realistic when you invest in double glazing



You have probably noticed that your windows fog up whenever the weather is cold. That happens because of condensation.

The air inside your house is moist because of vapour from occupants' breath, steam from the use of hot water to shower and to run the hot tap and evaporation from drying damp washing indoors.

When the moist air comes into contact with a cold surface, the moisture condenses into droplets of water. That is why your windows become foggy when it is cold outside. The bigger the difference between the air temperature and the glass, the worse the condensation.

Some double-glazing companies claim that their windows offer excellent insulation and so can reduce condensation. The problem is that customers expect condensation to be eliminated entirely, which is unlikely to be the case.

Always ask for clarification if a salesperson implies that a new window will deal with condensation in your house. It is unlikely that you are actually being promised that the problem will never occur. At best, you are being assured that rivals' windows are likely to be worse.

The only time that it is legitimate to complain about condensation is when it forms in the space between the two panes of glass. That happens when the seal between the panes has failed and has allowed moist air to enter the space. Sealed units are generally guaranteed against failure for a year after installation, so check your windows before that guarantee expires.

Templand Daily News

Property column – spot the builder!



Buyers of new-build homes often like to visit the construction site to check on the progress of their new houses. Building sites are usually busy places, with large numbers of people laying bricks, installing plumbing and electrical cables and operating diggers and other equipment.

Surprisingly, the only person on a typical building site who is directly employed by the housebuilder is the site agent. The rest are all employed by subcontractors, who provide the skilled and unskilled labour and rent out the equipment used on site. Most sites have several subcontractors. The subcontractors report to the site agent and the site agent monitors progress and quality.

Housebuilders organise each building project separately. Subcontractors may be invited to bid for jobs on a new project, but builders do not necessarily use the same subcontractor on every project. A local building company that has available staff and offers an acceptable price might be appointed in preference to a larger builder with whom the builder has prior experience.

It follows that buyers should take care when they are presented with the keys to their new homes. The quality of work in the completed house can be affected by subcontractors, who vary in terms of skill and care taken, and also the diligence of the particular site agent who oversaw the job.

Extracts from Joe the salesperson's blog

My first sale



I have just started working in sales for a small, local replacement window and door installer. We sell good quality products and we can undercut the big companies on price. I spent last week on a training course and started my sales visits this week.

My first evening was quite stressful. I spent 3 hours on a sales visit and left with nothing. The customers seemed interested, but they insisted on taking their time to think about it. I hope that I hear from them again because I am paid on commission, so that was a whole evening's work for potentially no reward.

Last night was a different story. I had a sales lead to visit a young couple whose windows were starting to discolour and let in draughts. I showed them my sample window and they loved the clean, white uPVC frame. They had considered asking for a quote from a "big name" company, but I pointed out that they would have to pay far more just to cover the cost of my rival's television advertising. It took 4 hours, but I managed to persuade them to sign before I left.

Tonight's commission is equal to half the weekly wage at my old job. If I can make two sales like that every week, then I'll be better off than I was.

COMMENTS

You did well to make a sale on your second night. Welcome to the double-glazing sales club.

Glass Seller

You need to learn from your success. NEVER leave without a signature. You should have persevered with that first visit.

Tuff Gal

What's your factory like?



I work for a small, local installer. We buy all our doors and windows from a factory that is about 150 kilometres away. I saw some photographs of the factory during my training, but I have never actually been there and I suspect that I never will.

Sometimes customers ask about the factory. I don't like to avoid questions and it's best not to lie, so I always say that it is "state of the art". To the best of my

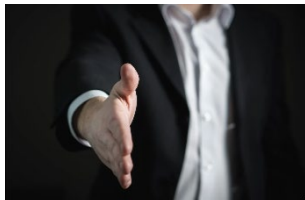
knowledge, it is, although I never know for sure what “state of the art” means. I know that our doors and windows feel well made. We rarely get any complaints.

COMMENTS

I had to tour our factory when I was training to sell replacement windows and doors. All I can really say is that it was big and very noisy. The factory manager was really proud of a new machine that can cut sections accurately to within a tenth of a millimetre, so I always tell customers that the factory staff take a real pride in their work.

Glazevendor

Take care when you are cutting the grass



I had a phone call this morning, asking me to visit an angry customer whose new windows had been installed yesterday afternoon. The customer was angry because the glass in one of the sealed units in her living room window was broken. The customer accused us of fitting a defective window.

I looked at the customer's lawn and, sure enough, it had been freshly cut. It was obvious to me that the lawnmower blade had caught a stone and had thrown it against the window with sufficient force to break the glass. It is a common accident.

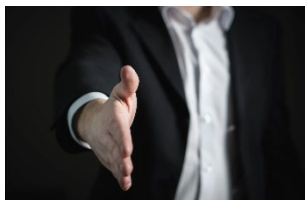
Always check your lawn for stones before you cut your grass!

COMMENTS

I remember when we used to promote double glazing as “burglar proof”. We had to stop because burglars quickly learned that they could easily shatter sealed units with a sharp tap with a solid object, aimed at the corner of the window.

Glass Seller

Wasted journey



I am just back from a sales visit that lasted only 5 minutes. Unfortunately, it took me an hour to drive there and another hour to drive home. Not to mention the petrol that I wasted. The lead was for a lovely old cottage, right in the centre of a conservation area. Local building regulations forbid the installation of uPVC doors or windows in the “listed” buildings in that area. You can be prosecuted for damaging existing single-glazed doors and windows, even if they permit draughts and waste energy.

COMMENTS

I have had similar experiences. Now I check every lead online before I accept it to ensure that the property is not in a conservation area. If it is, I just cancel the appointment.

Salemaker

Cooling off periods



Two of this month's sales were cancelled during the 14-day "cooling off" period. The law makes life difficult for salespeople. Consumers can cancel sales contracts signed in their own homes, without giving a reason. We are not even allowed to contact them to ask what the problem is or whether there is anything we could do to resolve it.

This month's commission is going to be very small. The company doesn't pay commissions on cancelled sales.

COMMENTS

It happens. Customers sometimes find a better deal with another company or sometimes they simply get nervous about spending all that money on the advice of a salesperson who is hardly impartial!

These won't be your only cancelled orders, but bad luck to lose two in the same month.

Glass Seller



Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.



Click **Next** to start the test.

This examination is structured as follows:

Section number	Time for section (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
1	45	1	2	(a) 60% (b) 40%
2	45	1	2	(a) 60% (b) 40%
3	45	1	2	(a) 60% (b) 40%
4	45	1	2	(a) 60% (b) 40%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

 Reference Material Pre-seen

Martin Thawani, Shinyglas' Senior Financial Manager, stops by your workspace:

"I have printed the summary of a document that has been circulated to the Board.

I need your advice on two matters before I discuss this document with Nathan Mnjama, our Finance Director.

- Firstly, identify the difficulties associated with using the customer feedback to predict the impact that making our own sealed units using the new patented process might have on customer demand and recommend responses.

[sub-task (a) = 60%]

- Secondly, explain with reasons how Shinyglas might negotiate contract terms with Central City University."

[sub-task (b) = 40%]

The extract brought by Martin can be found by clicking on the Reference Material button above.

Proposal to acquire glass-making technology

Executive summary

Prepared by James Babb, Senior Production Manager

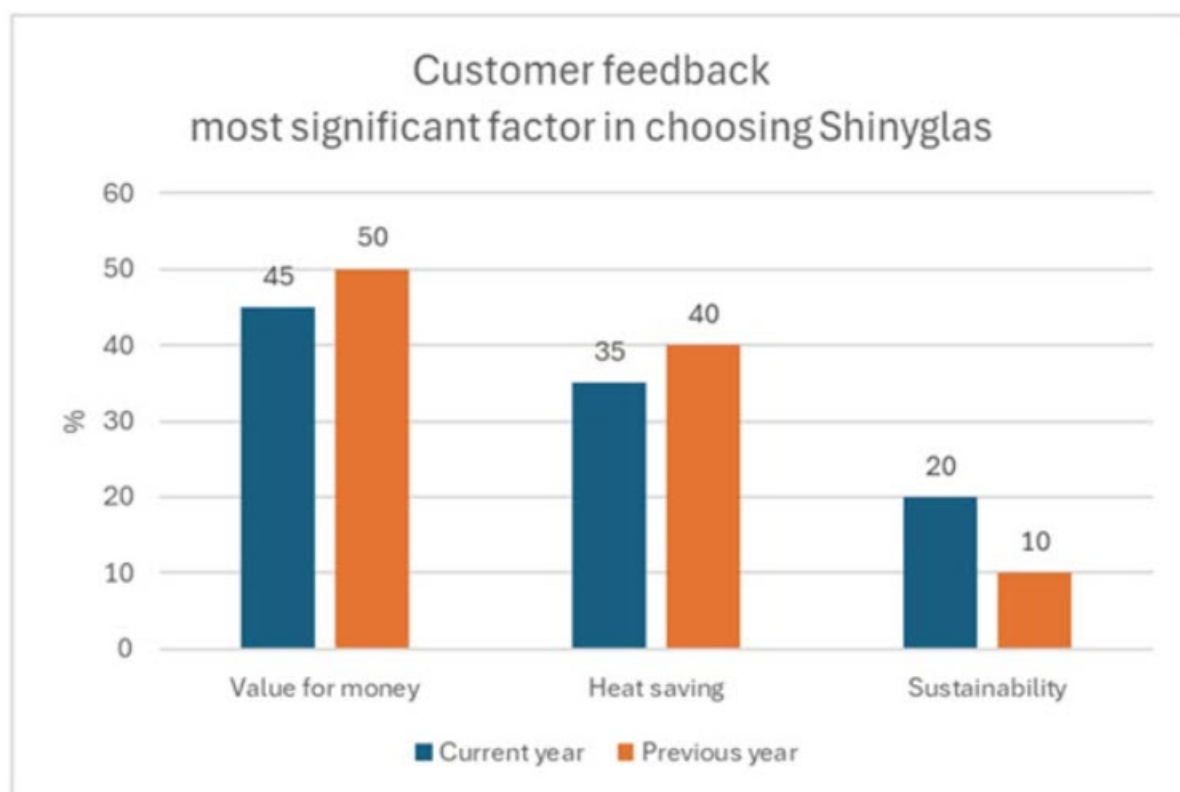
At present, Shinyglas buys all of its sealed units from Borovu, Templand's largest manufacturer of glass and sealed units. Borovu supplies all the major window and door fabricators in Templand.



Borovu makes excellent glass, but it uses traditional production methods that consume a great deal of energy. Also, its factory is located 180 miles from ours.

We have been approached by Central City University's Chemistry Department. The Department has patented a new process for making glass that requires much less energy than traditional methods. If we acquire the right to use that process, then we could install the necessary equipment and could manufacture our own sealed units using some of the spare space beside our factory.









This method would enable us to make sealed units at the same cost and quality as those purchased from Borovu. It would, however, be far more sustainable because less energy would be required for manufacturing and the sealed units would not have to be transported to our factory.












The following graph was supplied by our Sales Department. When asked "which of the following was the most significant factor in your decision to choose Shinyglas to supply your double glazing?", 10% of our customers chose sustainability last year, rising to 20% this year. Sustainability appears to be an important issue to our customers. Acquiring the patent to this process could increase our sales revenue.



 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

       **B** *I* U  x_2 x^2 I_x

Paragraph           

Reference Material

Pre-seen

A month has passed. You receive the following email:

From: Martin Thawani, Senior Financial Manager

To: Financial Manager

Subject: Manufacturing sealed units

Hi,

I have attached an extract from the minutes of this morning's Board meeting.

I would appreciate your advice on two matters that the Finance Director has asked me to investigate.

- Firstly, recommend with reasons the membership of the project team that should be given responsibility for the implementation of the new process. The team should have a maximum of five members.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the types of information that the project team should provide to Shinyglas' Board on a monthly basis in order to track the project team's progress.

[sub-task (b) = 40%]

Regards

Martin



The extract from the board minutes referred to by Martin can be found by clicking on the Reference Material button above.

Extract from minutes of Board meeting**Manufacturing sealed units**

Dujuan Yang, Chief Executive Officer, informed the Board that Shinyglas had purchased Central City University's patented process for the sustainable manufacture of glass and sealed units. She informed the Board that the next priority was the implementation of this process.

Shinyglas has no experience of glassmaking. The company's factory has always relied on third parties to supply its sealed units.

The process developed by the University has been tested under laboratory conditions. The test machinery has been dismantled and the research staff and technicians have been assigned to new projects.

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: RE: Manufacturing sealed units

       **B** *I* U  x_2 x^2 I_x

Paragraph         

Reference Material

Pre-seen

Two months later, in February 2025, you receive the following email:

From: Martin Thawani, Senior Financial Manager
To: Financial Manager
Subject: FWD: In-house production of sealed units

Hi,

I have forwarded an email that I received from the Finance Director. I need your advice on two matters before I meet with him:

- Firstly, evaluate the product risk, commodity price risk and operational risk that might arise from the switch to our own in-house manufacture of sealed units.

[sub-task (a) = 60%]

- Secondly, evaluate the impact that the investment in the new process and associated manufacturing equipment will have on Shinyglas' key accounting ratios, based on the financial statements for the year ended 30 September 2025. I am looking for an explanation of the direction of changes in ratios, not a calculation of the ratios themselves.

[sub-task (b) = 40%]

Regards

Martin

The email referred to by Martin can be found by clicking on the Reference Material button above.

From: Nathan Mnjama, Finance Director
To: Martin Thawani, Senior Financial Manager
Subject: In-house production of sealed units

Hi Martin,

We will soon be able to start making our own sealed units. These will replace those that we buy from Borovu, the leading manufacturer of glass and sealed units.

We plan to publicise our switch to in-house production of sealed units. Our glass will require less energy to manufacture than Borovu's. It will be made on site and so there will be no need to transport sealed units by road. We expect our glass to be as good as Borovu's. The operating cost per sealed unit associated with making our own glass will be the same as the cost of purchasing glass from Borovu.

Our doors and windows are currently guaranteed against any manufacturing defects for 10 years, except for sealed units, which are guaranteed against failure for only 1 year. We plan to continue to guarantee sealed units for 1 year after we switch over to using our own sealed units.

The acquisition and implementation of this new process required an investment of T\$200 million in intangible non-current assets and T\$150 million in property, plant and equipment. These investments were funded by borrowing. It is unlikely that the investment will have a positive impact on Shinyglas' performance during the present financial year.

Regards

Nathan

Reference Material

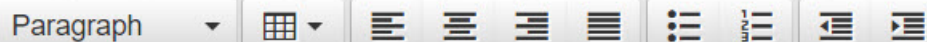
Pre-seen



Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: RE: In-house production of sealed units



 Reference Material Pre-seen

Two months later, Shinyglas has started the manufacture of its sealed units. You receive the following email.

From: Martin Thawani, Senior Financial Manager

To: Financial Manager

Subject: FWD: External communications

Hi,

I have forwarded an email that I received from the Finance Director. I plan to discuss this with him and require your advice on two matters:

- Firstly, recommend with reasons the most encouraging disclosures that we can make in our Integrated Report in relation to Shinyglas':
 - intellectual capital.
 - social and relationship capital.
 - natural capital.

[sub-task (a) = 60%]

- Secondly, identify and evaluate the challenges to Shinyglas' existing business model arising from the manufacture of sealed units.

[sub-task (b) = 40%]

Regards

Martin

The email referred to by Martin and Shinyglas' business model can be found by clicking on the Reference Material button above.

From: Nathan Mnjama, Finance Director
To: Martin Thawani, Senior Financial Manager
Subject: External communications

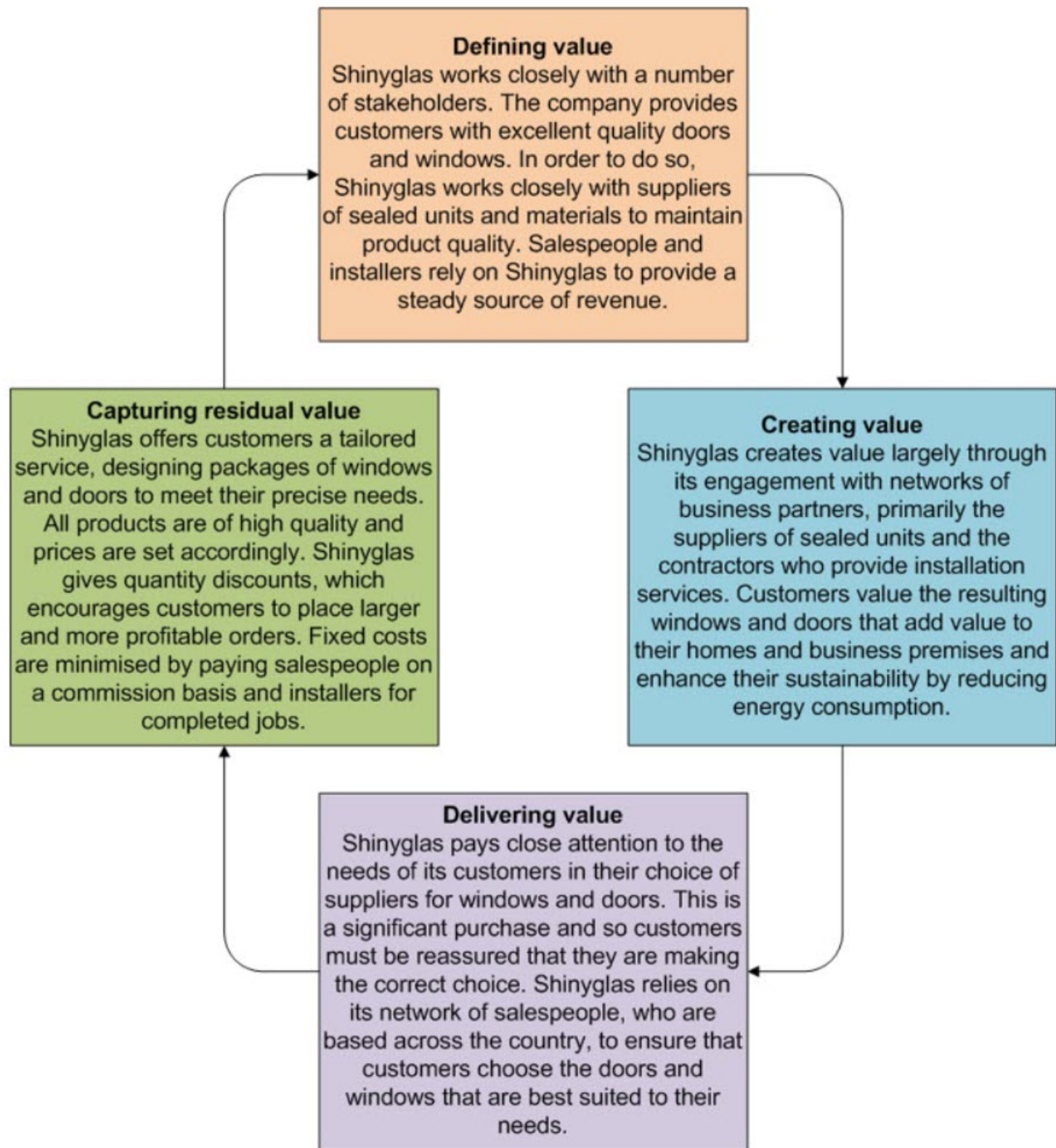
Hi Martin,



We will soon be starting work on the annual report. This will be even more important than usual because we have made a significant investment in the process and equipment required for us to manufacture our own sealed units. Our patented process uses less energy to make glass than traditional methods. None of the other window and door fabricators have this capability.

Our environmental claims in relation to sealed units have attracted a great deal of attention. I have agreed to be interviewed by a reporter from the Templand Business Daily on the impact that improving the sustainability of our products will have on our business model.

Regards

Nathan

Shinyglas' business model

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: RE: External communications



Paragraph ▼





Thank you for completing the Management Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.



Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.



Click **Next** to start the test.

This examination is structured as follows:

Section number	Time for section (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
1	45	1	2	(a) 60% (b) 40%
2	45	1	2	(a) 40% (b) 60%
3	45	1	2	(a) 60% (b) 40%
4	45	1	2	(a) 40% (b) 60%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

 Reference Material Pre-seen

Martin Thawani, Shinyglas' Senior Financial Manager, stops by your workspace:

"I have printed an extract from the minutes of this morning's Board meeting.

I need your advice on two matters before I brief the Finance Director:

- Firstly, recommend with reasons the changes that will be required to adapt Shinyglas' business model to manage the proposed increase in sales to builders.

[sub-task (a) = 60%]

- Secondly, evaluate the product reputation risk and operational risk that might arise because of the additional emphasis on sales to builders."

[sub-task (b) = 40%]

The extract referred to by Martin and Shinyglas' business model can be found by clicking on the Reference Material button above.

Proposal to create commercial sales team – Executive summary

Prepared by Murray Hall, Senior Sales Manager

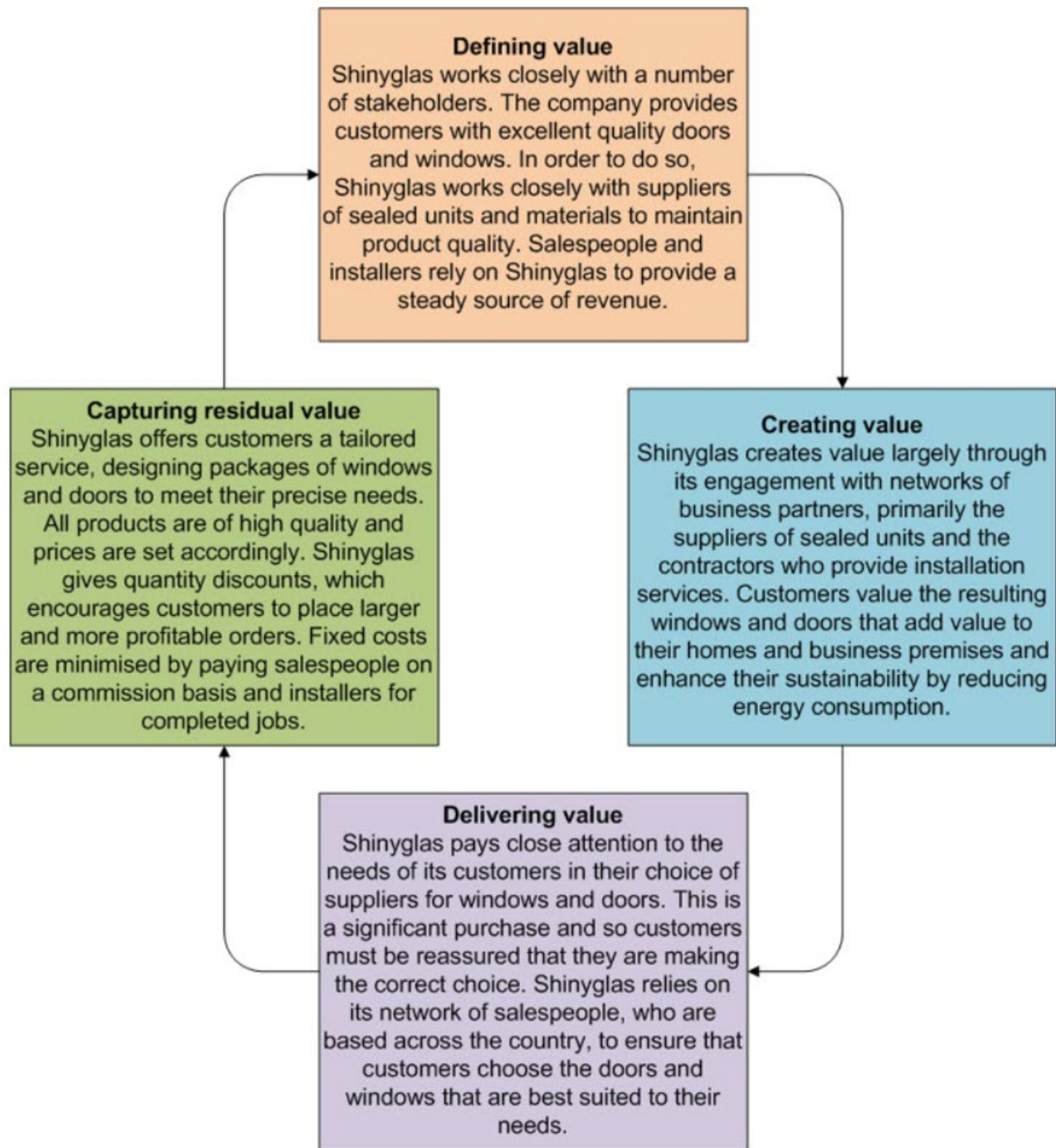
Shinyglas obtains 7% of its revenue from bulk orders of doors and windows from builders who are buying for housing estates or other construction projects. These orders are very profitable for us. Our factory has the capacity to meet delivery deadlines for these orders without disrupting routine domestic sales. The builders install the windows themselves, so all we have to do is manufacture the doors and windows and deliver them.

Our regional sales managers search online for opportunities to bid for large construction contracts. They pass the details of any such opportunities onto their most experienced salespeople, who prepare the bid documents and negotiate with the builders, all under the supervision of their regional sales managers.

Some of our bids for these bulk orders are successful, but our success rate is disappointing. Even our most experienced salespeople are used to selling to homeowners. They are not always capable of answering builders' detailed, technical questions about our materials and construction methods.

The Sales Department proposes that Shinyglas should establish a commercial sales team within the Sales Department. The team members will visit major builders in order to develop a better understanding of their needs. They will also identify bidding opportunities and submit proposals. They will conduct any sales presentations and contract negotiations in a professional manner that addresses the builders' technical concerns.

The members of the commercial sales team will be paid salaries, supplemented with sales commissions. A good team could more than double revenues from sales to builders.

Shinyglas' business model

Reference Material

Pre-seen

Provide your response to Martin's requests in the box below.

Rich text editor toolbar with the following icons:

- Document icon
- Cut icon
- Copy icon
- Paste icon
- Undo icon
- Redo icon
- Table icon
- Bold (B) icon
- Italic (I) icon
- Underline (U) icon
- Strikethrough icon
- Subscript (x_2) icon
- Superscript (x^2) icon
- Text color icon (I_x)

Formatting options:

- Paragraph dropdown
- Table grid dropdown
- Text alignment icons (Left, Center, Right, Justify)
- Bulleted list icon
- Numbered list icon
- Decrease indent icon
- Increase indent icon

Reference Material

Pre-seen

Two months later, the Commercial Sales Team has been in operation for 1 month. The team comprises three experienced salespeople, one of whom has been designated the Head of Commercial Sales. All three team members had substantial experience in the building industry in addition to at least 5 years of sales experience with Shinyglas.

You receive the following email:

From: Martin Thawani, Senior Financial Manager
To: Financial Manager
Subject: FWD: Commercial Sales Team authority

Hi,

I have attached an email from Nathan Mnjama, our Finance Director.

I will be meeting with Nathan later today and I need your advice on two matters before I do:

- Firstly, identify and evaluate the risks associated with granting excessive authority to the members of the Commercial Sales Team.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the membership of a more effective team to conduct and oversee negotiations of contracts with builders. I would expect such a team to have a maximum of four members.

[sub-task (b) = 60%]

Regards

Martin

The email referred to by Martin can be found by clicking on the Reference Material button above.

From: Nathan Mnjama, Finance Director
To: Martin Thawani, Senior Financial Manager
Subject: Commercial Sales Team authority

Hi Martin,

Our new Commercial Sales Team has signed its first contract.



The contract is for the supply of doors and windows for a large housing estate comprising 300 properties that is to be constructed by one of Templand's largest housebuilders. Two members of the Commercial Sales Team submitted an initial bid of T\$4.5 million, which was based on Shinyglas' list price for the doors and windows.

The builder rejected that bid, claiming that rival fabricators were cheaper. After intense negotiations, the two team members agreed to a contract price of T\$3.2 million.

Shinyglas will make a profit on this contract, but the Board is unhappy that the terms of such a large contract could be agreed without Board approval.

Regards

Nathan

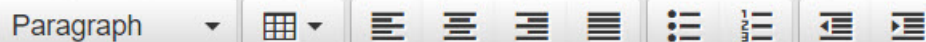
 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: RE: Commercial Sales Team authority



Reference Material

Pre-seen

Four months later, you receive an email:**From:** Martin Thawani, Senior Financial Manager**To:** Financial Manager**Subject:** Major order

Hi,

I have attached an extract from the minutes of this morning's Board meeting. I plan to recommend to the Finance Director that Shinyglas should adopt a just-in-time (JIT) approach to manufacturing in response to this order. I need your advice on two matters before I meet with the Finance Director:

- Firstly, evaluate the advantages and disadvantages to Shinyglas of adopting JIT for this order.
[sub-task (a) = 60%]
- Secondly, explain how this large order will affect Shinyglas' accounting ratios, assuming that we adopt JIT for this order and continue as before for our sales to domestic customers. I require an indication of the ratios that will be affected and the direction of change. I do not require calculations.
[sub-task (a) = 40%]

Regards

Martin

The extract referred to by Martin can be found by clicking on the Reference Material button above.



Extract from minutes of Board meeting**Major order**

Dujuan Yang, Chief Executive Officer, informed the Board that the Commercial Sales Team had succeeded in obtaining a T\$20 million contract to provide windows and doors for a large housing development consisting of 1,300 new homes. These houses are needed urgently and so construction is scheduled to start soon and will be completed in just over a year.

The housebuilder intends to build the houses in phases of 100 houses each month. Exterior doors and windows are fitted halfway through the construction of each house.

The housebuilder will make individual houses available for sale 3 months before their scheduled completion dates.

This is the largest contract that Shinyglas has ever had. In the past, Shinyglas has ordered sealed units and materials immediately after the receipt of an order, whether it is for a single window or a commercial order to glaze 30 properties. Up until now, all windows and doors have been manufactured as soon as the necessary glass and other materials were available. Once finished, doors and windows go into inventory until installation.

 Reference Material Pre-seen



Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: RE: Major order



 Reference Material Pre-seen

Two months later, you receive the following email:

From: Martin Thawani, Senior Financial Manager

To: Financial Manager

Subject: Marketing consultancy

Hi,

I have attached an extract from the minutes of today's Board meeting.

I need your advice on two matters before I discuss them with the Finance Director:

- Firstly, identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value of Rose's two forms of collaboration between Shinyglas and FC.
[sub-task (a) = 40%]
- Secondly, assuming that Shinyglas invests in the 30% of FC's equity that has been offered, explain whether FC should be treated as a related party and/or as an associate of Shinyglas and explain how either accounting treatment would be reflected in Shinyglas' financial statements.
[sub-task (b) = 60%]

Regards

Martin

The extract referred to by Martin can be found by clicking on the Reference Material button above.

Extract from Board minutes
Marketing consultancy

Ilyas Foutouh, Marketing Director, informed the Board that his wife, Rose, had recently established Foutouh Consulting (FC), a sales consultancy that negotiates business to business (B2B) sales in the building industry. She had previously worked for a major subcontractor to the building industry, negotiating with housebuilders to promote her employer's services.

Rose owns 100% of FC. She has offered two possible forms of collaboration with Shinyglas:

- FC would represent Shinyglas as a consultant in submitting proposals and negotiating for contracts with builders. Shinyglas would pay a 3% commission on any contracts that it obtained through her work. FC would only represent other door and window fabricators on contracts in which Shinyglas had expressed no interest.
- Shinyglas would pay cash in return for a 30% stake in FC. In return, FC would not represent any other door and window fabricators. Shinyglas would pay a 2.5% commission on any contracts negotiated by FC.

Reference Material

Pre-seen

Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: RE: Marketing consultancy





Thank you for completing the Management Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.



Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.



Click **Next** to start the test.

This examination is structured as follows:

Section number	Time for section (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
1	45	1	2	(a) 40% (b) 60%
2	45	1	2	(a) 40% (b) 60%
3	45	1	2	(a) 60% (b) 40%
4	45	1	2	(a) 40% (b) 60%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

 Reference Material Pre-seen

You receive the following email:

From: Martin Thawani, Senior Financial Manager

To: Financial Manager

Subject: Customer feedback

Hi,

I have attached an extract from the minutes of yesterday's Board meeting.

I need your advice on two matters before I meet with the Finance Director to discuss matters arising from this extract:

- Firstly, evaluate the implications of the inconsistency in feedback for the implementation of Shinyglas' business model.
[sub-task (a) = 40%]
- Secondly, evaluate the difficulties associated with implementing Total Quality Management (TQM) in the fitting of doors and windows.
[sub-task (b) = 60%]

Regards

Martin

The extract referred to by Martin and Shinyglas' business model can be found by clicking on the Reference Material button above.

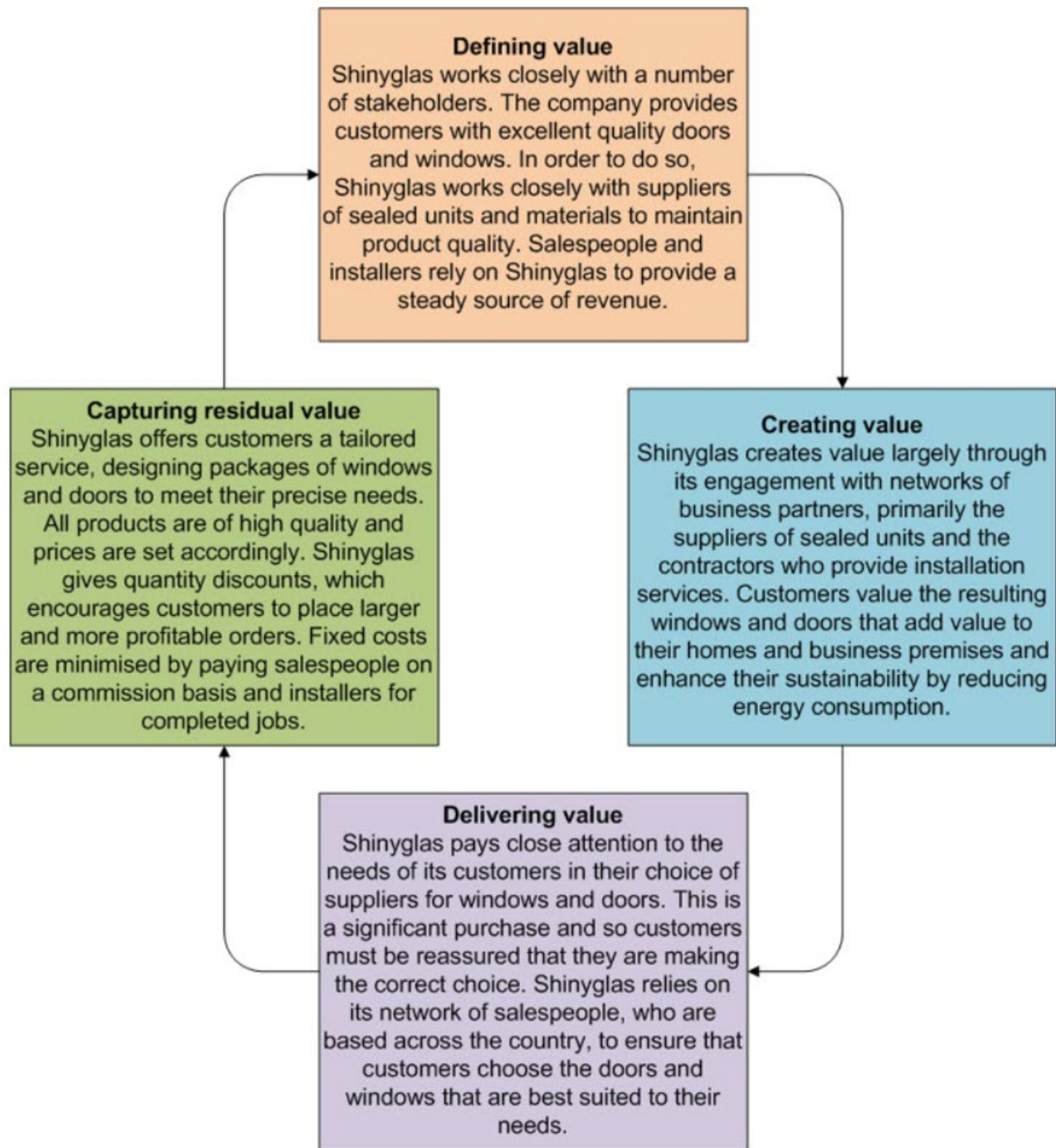
Extract from Board minutes**Customer feedback**



Jose Filipe, Operations Director, reminded the Board that the Customer Care Department seeks feedback from customers after every installation. Customers are invited to complete an online questionnaire covering different aspects of their order.

Customers are asked several questions relating to the fitters who installed their doors and windows. These cover issues including the quality of the work, whether the fitters tidied up after completing the installation and whether the installation was completed on time.

Shinyglas has a network of fitters, all of whom are independent businesses. Shinyglas generally has several fitters in any given town. Fitters are paid according to the size of each job that they complete. Fitters who receive positive customer feedback are given priority when jobs are being assigned.

Customer response rates to feedback requests tend to be low. Satisfaction scores tend to be inconsistent across different fitters and also over time for particular fitters.

Shinyglas' business model

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.



From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: RE: Customer feedback



A large, empty rectangular box for writing the response to Martin's requests.

 Reference Material Pre-seen

A few days later, you receive the following email:

From: Martin Thawani, Senior Financial Manager

To: Financial Manager

Subject: FWD: Repairs under guarantee

Hi,

I have forwarded an email from one of our senior customer care managers.

I need your advice on two matters before I reply to this email:

- Firstly, identify the problems associated with empowering surveyors to authorise rectification of defects and recommend responses with reasons.

[sub-task (a) = 40%]

- Secondly, evaluate the arguments for and against Shinyglas increasing its selling prices to allow for additional payments to be made to fitting companies, either to allow for greater care in fitting or to compensate for additional work post fitting.

[sub-task (b) = 60%]

Regards

Martin

The email referred to by Martin can be found by clicking on the Reference Material button above.

From: Denis Laurent, Senior Customer Care Manager

To: Martin Thawani, Senior Financial Manager

Subject: Repairs under guarantee

Hi Martin,

Shinyglas gives customers a 10-year guarantee against defects in the manufacture or installation of our doors and windows. Sealed units are guaranteed for 1 year.

Customer claims relating to defects are dealt with by the Customer Care Department. We ask the fitter who installed the door or window to send a surveyor to check whether the claim is valid.



The surveyor will either reject the claim on the grounds that the fault is not covered by the guarantee or will raise a work order for any necessary parts to be obtained and for staff employed by the fitter to make any necessary adjustments or repairs. Claims may be rejected because the problem was caused by accidental damage or wear and tear rather than a manufacturing defect or a mistake made during fitting.

Some repairs are relatively simple and inexpensive. For example, a failed sealed unit is easy to replace. Larger jobs, such as replacing door hinges, can be both more time consuming and more expensive. Shinyglas pays fitters to rectify any manufacturing defects. Fitters bear the cost of rectifying any installation defects.

The annual cost incurred by Customer Care in respect of repairs has increased by 15% since last year. That raises questions about whether surveyors are accepting too many claims as being attributable to manufacturing problems or whether fitters are making mistakes when installing doors and windows.

Regards

Denis

 Reference Material Pre-seen



Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: Repairs under guarantee



 Reference Material Pre-seen

Two months later, Martin stops by your workspace:

"I have brought an extract from a proposal that has been circulated to the Board.

I need your advice on two matters:

- Firstly, identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of offering this service.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the accounting treatment that should be used to recognise the revenues and expenses associated with this service."

[sub-task (b) = 40%]

The extract brought by Martin can be found by clicking on the Reference Material button above.


Executive summary**Proposal to establish a door and window repair service**

Prepared by Denis Laurent, Senior Customer Care Manager















Double-glazing faults are relatively rare, but repairs are expensive unless they are covered by a guarantee. Feedback from disappointed customers, whose claims have been rejected, suggests that there would be a demand for a repair service that had the following features:

- Customers would pay an annual fee, payable in advance. The fee would reflect the number of doors and windows in the property. The fee for a typical house with two doors and eight windows could be set at T\$500, payable annually in advance. Contracts will renew and a further payment will be taken automatically at the end of each year unless customers cancel.
- All damage and defects would be covered, regardless of its cause. New customers' homes would be inspected by fitters before they were accepted for cover under this service. The inspection would ensure that there was no pre-existing damage that would require an immediate repair.
- All of the customer's doors and windows would be covered, including those supplied and fitted by other companies. Customers do not always know who supplied their doors and windows because they may have been purchased by their homes' previous owners.

Repairs would be conducted by Shinyglas' network of fitters. Shinyglas would pay them for parts and labour.





















 Reference Material Pre-seen



Provide your response to Martin's requests in the box below.



Paragraph ▾

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 Reference Material Pre-seen

Three months later, the new repair service is being piloted. Martin Thawani, Senior Financial Manager, asks you to join him in a meeting room:

"I have brought an extract from the minutes of this morning's Board meeting.

I need your advice on two matters before I meet with the Finance Director:

- Firstly, identify and evaluate the changes that the new repair service might create within Shinyglas' ecosystem. **[sub-task (a) = 40%]**

- Secondly, recommend with reasons the disclosures that should be made in Shinyglas' Integrated Report in relation to the impact of the new repair service on the company's:
 - intellectual capital.
 - social and relationship capital.
 - natural capital."**[sub-task (b) = 60%]**

The extract brought by Martin can be found by clicking on the Reference Material button above.

**Extract from Board minutes****New repair service**

Jose Filipe, Operations Director, reported on the pilot scheme that had been established to test the market for a repairs service.










The pilot scheme has been restricted to a large town in Templand. If this proves successful, then the service can be rolled out across the country.










Initial results from the pilot have been encouraging. Salespeople operating in the town have promoted the service in return for an additional commission and have signed up 7% of customers who were buying new doors or windows. We have also made sales through online marketing and advertising in local media.

There have been very few requests for repairs from these initial customers, but local fitters have responded to those that have arisen. All repairs have been completed promptly and customers seem satisfied.

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

       **B** *I* U  x_2 x^2 

Paragraph ▾  ▾        



Thank you for completing the Management Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.



Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.



Click **Next** to start the test.

This examination is structured as follows:

Section number	Time for section (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
1	45	1	2	(a) 60% (b) 40%
2	45	1	2	(a) 40% (b) 60%
3	45	1	2	(a) 40% (b) 60%
4	45	1	2	(a) 40% (b) 60%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

 Reference Material Pre-seen

Martin Thawani, Shinyglas' Senior Financial Manager, stops by your workspace:

"I have brought a copy of a proposal that is under consideration by the Board.

I need your advice on two matters before I meet with Nathan Mnjama, our Finance Director:

- Firstly, evaluate the product risk, product reputation risk, operational risk and contractual inadequacy risk associated with Shinyglas' manufacture and sale of Heatcote.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the actions that Shinyglas' Board would have to take to ensure that the cost of acquiring Heatcote can be capitalised as an intangible non-current asset in the statement of financial position."

[sub-task (b) = 40%]

The proposal referred to by Martin can be found by clicking on the Reference Material button above.



Proposal to work with Central City University's Engineering Department



Prepared by Kaveer Singh, Senior Marketing Manager

The Marketing Department has been approached by the Engineering Department at Central City University. University staff have discovered a new coating that will significantly reduce heat loss from the glass used in sealed units. That means that customers' homes will be warmer in winter and will suffer less from condensation.















The University is prepared to sell the patent to this new coating to Shinyglas. We will have to reimburse the University for staff and laboratory costs, both those that have already been incurred and those that will be required to complete the formula for the coating. Shinyglas will also have to make an immediate and non-reimbursable payment for the patent itself.

The University predicts that it will take 18 months to complete the work on this coating.

The Marketing Department recommends that we should proceed with the acquisition of the right to use this coating, which we will market as "Heatcote". We believe that we could offer customers the option of paying to have the glass in their new doors and windows treated with Heatcote.













 Reference Material Pre-seen



Provide your response to Martin's requests in the box below.



Paragraph ▾

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 Reference Material Pre-seen

A week later, you receive the following email:

From: Martin Thawani, Senior Financial Manager
To: Financial Manager
Subject: FWD: Heatcote

Hi,

I have forwarded an email that I received from Nathan Mnjama.

I require your advice on two matters before I discuss this email with Nathan:

- Firstly, recommend with reasons how segmenting Shinyglas' customer base might help predict the demand for Heatcote.
[sub-task (a) = 40%]
- Secondly, evaluate the features of debt and equity that affect their suitability for funding the cost of the patent and associated new equipment.
[sub-task (b) = 60%]

The email referred to by Martin can be found by clicking on the Reference Material button above.

From: Nathan Mnjama, Finance Director
To: Martin Thawani, Senior Financial Manager
Subject: Heatcote

Hi Martin,

The Board is still considering whether to purchase the patent for the Heatcote coating from Central City University.

If we purchase the patent, then we will be the only window and door fabricator to be able to apply Heatcote to our doors and windows. Heat loss through glass treated with Heatcote will be 50% lower than the best performing glass used by our competitors.

We believe that it will cost T\$42 million to buy the patent and a further T\$50 million for the equipment that we will require to apply the coating. Customers will be offered the opportunity to have the coating applied to the sealed units in their new doors and windows, with an additional charge if they agree. It would be useful to be able to estimate likely customer demand for Heatcote.

Regards



Nathan

Pre-seen

Provide your response to Martin's requests in the box below.

Subject: FWD: RE: Heatcote



 Reference Material Pre-seen

Two months later, Shinyglas has purchased the rights to Heatcote, which is still in development.

Martin Thawani asks you to meet with him:

"I have brought an extract from the minutes of this morning's Board meeting.

I require your advice on two matters before I meet with the Finance Director:

- Firstly, recommend with reasons the leadership style that should be adopted by the Sales Department's project team.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the pricing strategy that Shinyglas should apply to the sale of Heatcote."

[sub-task (b) = 60%]

The extract brought by Martin can be found by clicking on the Reference Material button above.


Extract from Board minutes

Ilyas Foutouh, Marketing Director, informed the Board that Heatcote would be available for sale to customers within the next 6 months. Heatcote is a coating that can be applied to sealed units before they are installed in window frames. Sealed units coated with Heatcote will retain significantly more heat than uncoated units.










Shinyglas' doors and windows already offer superior heat retention to most of the products on the market, even without Heatcote. Adding the coating will make them even better.










Rosenun Chesof, Sales Director, said that Shinyglas' salespeople will require training to sell Heatcote. The training should allow for the fact that Shinyglas' doors and windows are of excellent quality and so are already more expensive than those sold by rivals. Regional sales managers will also have to be prepared to supervise salespeople to ensure that Heatcote is being added to as many sales as possible.



Ms Chesof proposed that the Sales Department should create a project team to lead initial sales of Heatcote for the first 6 months after it becomes available. This team would manage the training of salespeople and would take overall responsibility for the supervision of sales of Heatcote.

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

       **B** *I* U  x_2 x^2 

Paragraph         

 Reference Material Pre-seen

Two months later, you receive the following email:

From: Martin Thawani, Senior Financial Manager

To: Financial Manager

Subject: FWD: Heatcote

Hi,

I have forwarded a copy of an email that I received from Kaveer Singh, Senior Marketing Manager.

I need your advice on two matters before I discuss the points raised with the Finance Director.

- Firstly, evaluate the advantages and disadvantages of the proposed real option in respect of Shinyglas' investment in Heatcote.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the approach that Shinyglas should take to negotiating the sale of licences to make and sell Heatcote.

[sub-task (b) = 60%]

The email referred to by Martin can be found by clicking on the Reference Material button above.

To: Martin Thawani, Senior Financial Manager
From: Kaveer Singh, Senior Marketing Manager
Subject: Heatcote



Hi Martin,

The Marketing Department has been working closely with the Sales Department on the launch of Heatcote. Feedback from salespeople and regional sales managers suggests that most customers would regard the coating as desirable, but they would be unlikely to pay a great deal for it.

It has been suggested that we should create a real option with regard to our investment in Heatcote. If sales prove disappointing, then we should sell licences to our rival door and window fabricators. Our rivals could then manufacture and sell the coating to their customers in return for a royalty to Shinyglas for each sealed unit treated with Heatcote. In that case, we would apply Heatcote to all sealed units included in our products, at no additional charge to our customers.

Regards

Kaveer

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: RE: Heatcote



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Thank you for completing the Management Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.



Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.


Click **Next** to start the test.

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Section number	Time for section (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
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4	45	1	2	(a) 60% (b) 40%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

 Reference Material Pre-seen

You receive the following email:

From: Martin Thawani, Senior Financial Manager

To: Financial Manager

Subject: FWD: Pricing sales

I have forwarded an email from Nathan Mnjama, our Finance Director.

I need your advice on two matters before I meet Nathan:

- Firstly, evaluate the suitability of Shinyglas' strategy for pricing sales.
- Secondly, evaluate the effectiveness of Shinyglas' approach to ensuring the engagement of its salespeople.

[sub-task (a) = 60%]

[sub-task (b) = 40%]

Regards

Martin

The email referred to by Martin can be found by clicking on the Reference Material button above.

From: Nathan Mnjama, Finance Director
To: Martin Thawani, Senior Financial Manager
Subject: Pricing sales

Hi Martin,

I have been reviewing our procedures relating to pricing sales.

We do not publish price lists or indicate prices on our website. All potential sales are priced by a salesperson during a sales visit.

Our salespeople use price lists to determine the list price of the doors and windows requested by the customer. These price lists take account of the size and complexity of each door and window. List prices are also automatically adjusted for quantity discounts.

Some customers accept the list price, but most attempt to negotiate a discount with the salesperson. Our salespeople can offer discretionary sales discounts of up to 60%, although they are encouraged to negotiate a much lower rate:



- Our sales commission rates are inversely related to sales discount rates. The commission starts at 25%, payable when the customer agrees to the full list price and falls in increments as the discount rate rises. Most sales yield a commission of 10% to 12%. No commission is paid on sales where the discount exceeds 45%.
- The terms of every sale must be agreed by the relevant regional sales manager. Sales are often rejected on the grounds that there is insufficient profit to make the order worthwhile. If a sale cannot be renegotiated after such a refusal, then it will be lost.

Regional sales managers allocate leads to salespeople based on their recent sales success.

On average, 20% of sales visits result in sales. Feedback from customers suggests that Shinyglas' prices are perceived as high, even after the application of any sales discounts. Customers also perceive the quality of Shinyglas' products as being high in comparison to those of its rivals.

Regards

Nathan

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.



From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: RE: Pricing sales



A large, empty rectangular box for writing the response to Martin's requests.

 Reference Material Pre-seen

A month later, Martin Thawani stops at your workspace:

"I have brought you an extract from a document that has been circulated to the Board.

I require your advice on two matters before I meet with the Finance Director:

- Firstly, identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of creating and operating an online sales facility.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the accounting treatment of the costs associated with creating and testing the new software, stating any assumptions that will have to be made."

[sub-task (b) = 40%]

The extract referred to by Martin can be found by clicking on the Reference Material button above.

Proposal to offer online sales

Executive summary










Prepared by Murray Hall, Senior Sales Manager










The Sales Department is considering creating an online sales facility through the Shinyglas website. This would work as follows:

- Customers would input the number of doors and windows, with measurements and design details such as the number of openings. All measurements and designs are checked by surveyors before doors and windows are made, so any customer errors will be corrected.
- Software based on the price lists used by our salespeople will calculate the list price of the order. A sales discount will automatically be deducted from this list price, probably 8% at busy times when there are lots of outstanding orders and 10% when the company is less busy. At present, most customers receive discounts of 14% to 18%, at the discretion of the salespeople and regional sales managers.
- Customers will then have three options: accept the online price, reject the online price or request a sales visit from a salesperson. Our salespeople will be able to access online offers and will not necessarily offer bigger discounts.
- The cost of creating and testing the software will be significant.

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

       **B** *I* U  x_2 x^2 

Paragraph ▾  ▾        

Reference Material

Pre-seen

A month later, the Board has decided not to proceed with the creation of an online sales system.

You receive the following email:

From: Martin Thawani, Senior Financial Manager
To: Financial Manager
Subject: FWD: Sales process

Hi,

I have forwarded an email that I received from Nathan Mnjama the Finance Director.

I need your help with the following matters before I meet with him:

- Firstly, identify inefficiencies in our sales process and recommend with reasons improvements that might be implemented.

[sub-task (a) = 60%]

- Secondly, use the information provided in Nathan's email to compare the performance of Shinyglas with that of Westaglint and recommend with reasons the implications for Shinyglas' sales.

[sub-task (b) = 40%]

Regards

Martin

The email referred to by Martin can be found by clicking on the Reference Material button above.

From: Nathan Mnjama, Finance Director
To: Martin Thawani, Senior Financial Manager
Subject: Sales process

Hi Martin,

Our sales process will continue to rely on visits to customers' homes by salespeople, who are paid on a commission basis. Our sales process can be summarised as follows:

- Sales leads are generated when potential customers contact our call centre or enter their details on our website to request a visit.
- Our online diary system identifies salespeople who are available at the times requested by customers. Regional sales managers rank their salespeople on the basis of recent sales performance. The online diary system allocates leads to available salespeople on the basis of those rankings.
- Salespeople are aware of their rankings. They can improve those both by selling more doors and windows and by minimising discounts granted to customers.
- Sales visits last for an average of 4 hours. Salespeople start by describing the quality and features of Shinyglas' products before calculating the list price for the order. They use both their powers of persuasion and the offer of discounts to attempt to reach agreement with the customer.
- Sales orders have to be authorised by the relevant regional sales managers before they can be finalised.

Westaglint is our closest direct competitor. They sell good quality doors and windows, although ours are of slightly higher quality. I have compared their sales performance for the year ended 30 September 2024 with ours:



	Shinyglas	Westaglint
Revenue	T\$298.1 million	T\$173.8 million
Gross profit %	$166.9/298.1 = 56\%$	$100.8/173.8 = 58\%$

Both companies' gross profit figures take account of sales discounts and commissions paid to salespeople.

Shinyglas' factory has spare production capacity.

Regards

Nathan

 Reference Material Pre-seen



Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: RE: Sales process



 Reference Material Pre-seen

A month later, Martin Thawani stops by your workspace and hands you a document:

"I have brought you an extract from the minutes of today's Board meeting.

I require your advice on two matters arising from this report.

- Firstly, recommend with reasons the approach that Shinyglas' salespeople should take when negotiating sales with customers.

[sub-task (a) = 60%]

- Secondly, evaluate the characteristics of debt and equity that will affect their suitability for financing the T\$200 million cost of implementing the Sales Department's proposal for training."

[sub-task (b) = 40%]

The extract referred to by Martin can be found by clicking on the Reference Material button above.

Extract from minutes of Board meeting

Rosenun Chesof, Sales Director, informed the Board that Shinyglas is struggling to retain experienced and competent salespeople. Shinyglas doors and windows are of better quality than those sold by rivals, but they are also more expensive. It can be difficult to persuade customers to pay more for a superior product if they do not understand the benefits.










On average, Shinyglas' sales visits last for 4 hours, so salespeople can make only one or two visits during a working day. On average, 20% of sales visits result in a sale.










In response to these issues, the Sales Department is considering developing a new sales course that will be compulsory for both new and existing salespeople. This will be a residential course that will be conducted in a new training facility that will be constructed at Shinyglas' head office. Unlike the present training, salespeople will be paid for attending.

It is anticipated that the creation of the training course, the conversion of vacant head office space and the initial training of existing salespeople will cost a total of T\$200 million.

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

       **B** *I* U  x_2 x^2 

Paragraph ▾  ▾        



Thank you for completing the Management Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.



Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.


Click **Next** to start the test.

This examination is structured as follows:

Section number	Time for section (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
1	45	1	2	(a) 60% (b) 40%
2	45	1	2	(a) 60% (b) 40%
3	45	1	2	(a) 60% (b) 40%
4	45	1	2	(a) 60% (b) 40%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

 Reference Material Pre-seen

Martin Thawani, Senior Financial Manager, stops by your workspace.

"I have printed a news article that has just gone online.

The Board is considering creating a new product that would enable uPVC windows to look identical to the single-glazed timber windows in listed properties.

I need your advice on two matters before I meet with Nathan Mnjama, our Finance Director, to discuss issues relating to this new product:

- Firstly, evaluate how this new product might create value for stakeholders within Shinyglas' business model.
[sub-task (a) = 60%]
- Secondly, recommend with reasons the approach that Shinyglas might take to negotiating a change in the law to permit the use of this new product in listed properties."
[sub-task (b) = 40%]

The article referred to by Martin and Shinyglas' business model can be found by clicking on the Reference Material button above.

Templand Daily News

Property column – take care when improving old buildings

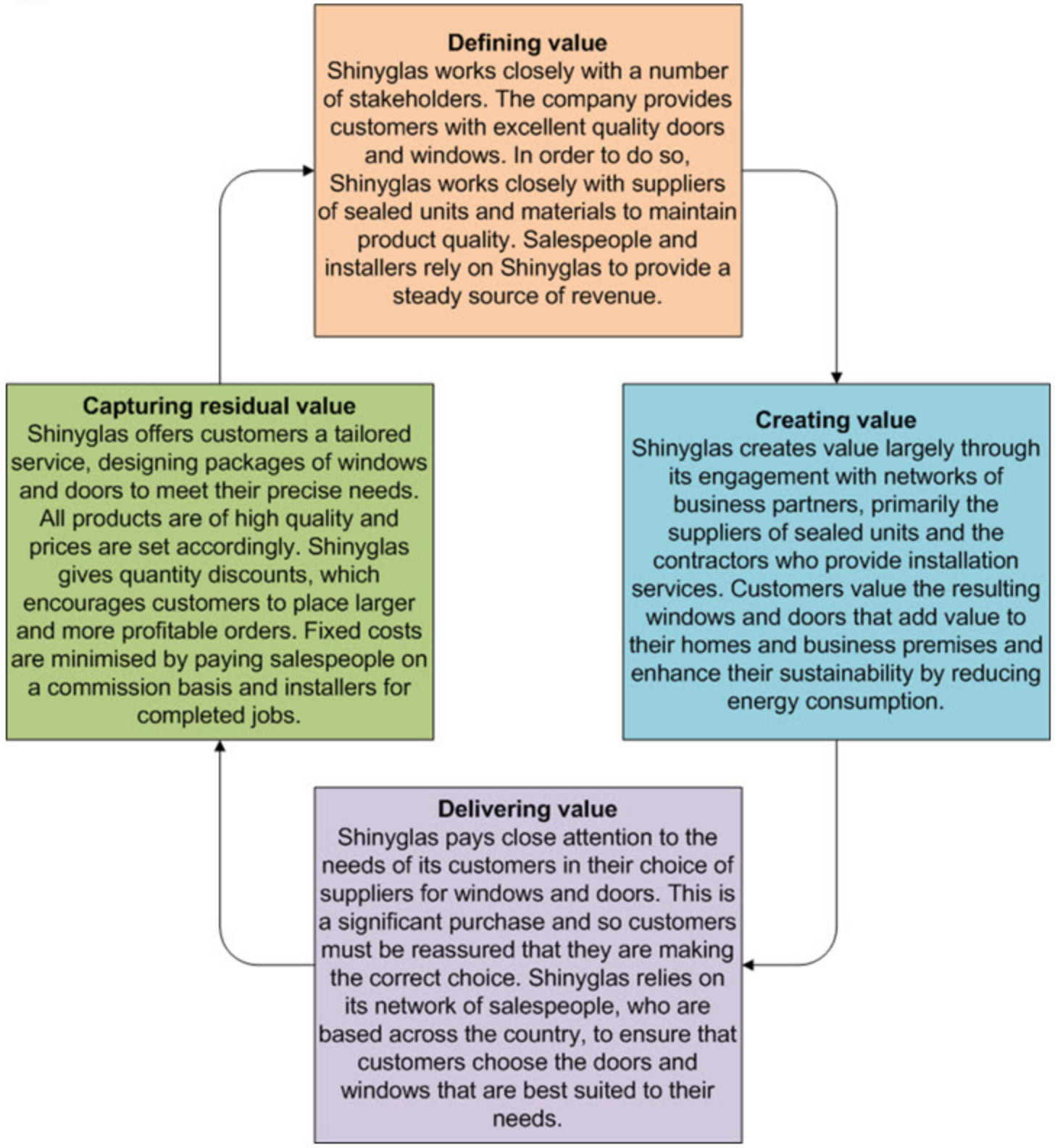


Templand's local governments are responsible for enforcing the legislation relating to maintaining historic buildings in their existing condition. This means that the owners of so-called "listed" buildings are not permitted to alter them in any way without first obtaining permission from the local government's planning office.

It is extremely difficult to obtain permission to make improvements. One common complaint is that homeowners are forbidden to install double glazing. Existing single-glazed windows can be replaced if they are damaged or rotten, but only with identical single glazing.

This is a pressing problem. There are 390,000 listed buildings in Templand. That is a lot of draughty houses that will cost a lot to heat.















Shinyglas' business model



Reference Material










Pre-seen


Provide your response to Martin's requests in the box below.



Paragraph ▾

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 Reference Material Pre-seen

Three months later, you receive the following email:

From: Martin Thawani, Senior Financial Manager
To: Financial Manager
Subject: FWD: Replacement windows for listed properties

Hi,

I have forwarded an email that I received today.

Nathan Mnjama, Finance Director, has requested a briefing. I require your advice on two matters:

- Firstly, evaluate the key product risk and product reputation risk and recommend with reasons how both might be managed.
[sub-task (a) = 60%]
- Secondly, evaluate the potential impact that proceeding with SH might have on Shinyglas' weighted average cost of capital (WACC).
[sub-task (b) = 40%]

The email referred to by Martin can be found by clicking on the Reference Material button above.

From: Kaveer Singh, Senior Marketing Manager
To: Martin Thawani, Senior Financial Manager
Subject: Replacement windows for listed properties

Hi Martin,

I have been working closely with technical experts within Shinyglas. They believe that they are close to completing the design work on a new product to be known as Shinyglas Heritage (SH). This will be aimed at the owners of the 390,000 listed buildings in Templand.



SH windows will be styled to look like traditional, single-glazed windows similar to the property's original windows. Few, if any, passersby will realise that the windows have been replaced. A close examination will, however, reveal that the windows have slightly heavier uPVC frames and are double glazed. Planning regulations have recently been changed to permit the installation of windows such as SH windows in listed properties, provided they are a close match to the original windows.

SH windows will reduce heat loss in comparison to the original windows, although they will be slightly less effective in comparison to modern replacement windows.

Launching SH windows will require a significant investment in manufacturing equipment to create the new styles of frames.

Regards

Kaveer

 Reference Material Pre-seen



Provide your response to Martin's requests in the box below.

From: Financial Manager

To: Martin Thawani, Senior Financial Manager

Subject: FWD: RE: Replacement windows for listed properties



 Reference Material Pre-seen

A month later, Martin Thawani stops by your workspace:

"I have brought you an extract from the minutes of yesterday's Board meeting.

I require your advice on two matters before I meet with Nathan Mnjama, Finance Director:

- Firstly, evaluate the importance of minimising the time to market for Shinyglas Heritage (SH) and recommend with reasons how that might be accomplished.

[sub-task (a) = 60%]

- Secondly, evaluate the impact that SH will have on the key accounting ratios based on Shinyglas' financial statements for the year ended 30 September 2025. I need you to explain how the ratios will be affected, I do not require calculations."

[sub-task (b) = 40%]



The extract referred to by Martin can be found by clicking on the Reference Material button above.

Extract from minutes of Board meeting










Ilyas Foutouh, Marketing Director, informed the Board that Shinyglas had completed development work on Shinyglas Heritage (SH) replacement windows. The 390,000 owners of listed properties in Templand will be the primary market for this product, although it may also be purchased by owners of modern buildings who are attracted by the style.










Shinyglas has borrowed T\$200 million for this project, of which T\$70 million has been spent on developing and testing SH and T\$130 million will be spent on specialised manufacturing equipment.


It is anticipated that production of SH will commence between June and September 2025.

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

       **B** *I* U  x_2 x^2 

Paragraph ▾  ▾        

 Reference Material Pre-seen

A month later, Martin Thawani stops by your workspace:

"I have brought an extract from the minutes of this morning's Board meeting.

I need your advice on the following two matters before I discuss them with the Finance Director:

- Firstly, recommend with reasons the matters that Shinyglas should consider in relation to stress testing Glintglas' production with regard to prioritisation, measurement, productivity and flexibility.

[sub-task (a) = 60%]

- Secondly, recommend with reasons a suitable accounting treatment for Shinyglas' relationship with Glintglas."



[sub-task (b) = 40%]

The extract brought by Martin can be found by clicking on the Reference Material button above.










Extract from minutes of Board meeting










Larisa Nikitina, Production Director, informed the Board that Shinyglas does not have sufficient space at its factory to install the equipment needed to manufacture Shinyglas Heritage (SH) windows. Her counterpart at Westaglint, a rival fabricator, has approached her with the following proposal:

- Shinyglas and Westaglint will each invest T\$130 million in 50% of the equity of a company that will be called Glintglas.
- Glintglas will use the equity to build a factory on a vacant site at Westaglint's main factory. The new factory will be equipped to manufacture SH windows.
- Glintglas will supply both Shinyglas and Westaglint with windows. Shinyglas will sell the windows under the SH brand and Westaglint will sell them under its own brand name. Shinyglas and Westaglint will use their own expert staff to specify their own versions of the basic SH designs. Sales will be restricted to those two companies. Shinyglas and Westaglint will pay Glintglas cost plus 20% for all SH windows.
- Glintglas will pay Shinyglas a royalty of T\$50 for every window made using Shinyglas's patented technology.
- Glintglas' routine operations will be managed by a factory supervisor supported by an administrative team. Significant decisions will be made jointly by the Boards of Shinyglas and Westaglint, with agreement required on all proposals.

 Reference Material Pre-seen

Provide your response to Martin's requests in the box below.

       **B** *I* U  x_2 x^2 

Paragraph ▾  ▾        



Thank you for completing the Management Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.



MANAGEMENT CASE STUDY

NOVEMBER 2024 & FEBRUARY 2025

EXAM ANSWERS

Variant 1

These answers have been provided by CIMA® for information purposes only. The answers created are indicative of a response that could be given by a good candidate. They are not to be considered exhaustive, and other appropriate relevant responses would receive credit.

CIMA will not accept challenges to these answers on the basis of academic judgement.

SECTION 1

Predicting sales impact

The feedback obtained from customers appears to be contradictory, which could suggest that customers are not replying in a manner that accurately reflects their views. The ranking of heat saving has declined at the same time as that of sustainability has increased. It is difficult to interpret these findings because it may be that customers do not fully understand the issues on which they are being asked to feed back to Shinyglas. Customers may not switch to Shinyglas from its rivals just because of improved sustainability. They may not fully understand how making sealed units at the company's factory enhances sustainability.

Customers are asked to indicate which was the most significant factor in choosing Shinyglas. The factors that were offered to choose from were not mutually exclusive. It is possible that sustainability was a significant factor for many but was not necessarily the most significant. The other two options were about costs and savings and it would be understandable that most customers would rank those highly because of the impact on their personal finances. It may be that some of the customers who selected sustainability were signalling virtue rather than indicating their preferences honestly. Some customers might be embarrassed to admit that their choice was driven largely by financial considerations.

Shinyglas should consider conducting additional consumer research that focusses more directly on the impact that manufacturing sealed units would have on sales. The issues could be explained more clearly and so the feedback would be more reliable. The fact that the proposed manufacture of sealed units would not affect costs or quality suggests that there will be no impact on value for money and heat saving, and so consumers could be asked directly whether there would be any influence on their buying decisions.

The specific impact could be explained in the questionnaire or interview questions, making it clear that the issue is the reduction in the environmental damage caused by manufacturing. Customers will, hopefully, be able to form opinions on whether the initial impact of manufacturing their replacement doors and windows is relevant to their buying decision.

It would also be helpful to seek feedback from Shinyglas' salespeople. They have to interact with customers and answer their questions and so they have an insight into the issues that inform buying decisions. They should be asked to estimate the frequency with which customers raise sustainability in manufacturing as an issue and the extent to which they are interested in any information provided on sustainability in terms of their sales pitch. That feedback will be more credible than customer responses to surveys and will also enable Shinyglas to gather the opinions of its sales staff.

Negotiation

Shinyglas should start by considering what it wishes to obtain from the negotiation. The potential benefits from acquiring the rights to use this process are limited. Buying sealed units from Borovu appears to work well and it seems to be no more expensive than manufacturing at Shinyglas' factory. The only real benefit is the possibility that Shinyglas will be at an advantage over rivals in terms of marketing, thanks to the claims that it might make in terms of sustainability. It would appear that the benefits are potentially limited and so Shinyglas will have to be careful not to agree to too high a price for the use of this process.

It helps that the University approached Shinyglas. It may have done so because it is keen to generate some cash from its process but regards this as secondary to carrying on with core activities such as teaching and research. The university may be keen to negotiate a realistic fee for the use of its process, but it is not necessarily desperate to earn a great deal. Shinyglas may be able to reach an agreement by offering the university a reasonable amount and being responsive to any reasonable requests made in countering that initial offer.

Shinyglas should consider whether it requires the exclusive use of this process. It could propose that the University approach the other major fabricators and accept a smaller fee from each. That would enable the large fabricators to operate in a more sustainable manner, putting no one at a disadvantage to direct competitors. Shinyglas might even suggest that the University should approach Borovu. If it did so, then Borovu could reduce energy consumption and so might be able to provide all customers, including Shinyglas, with lower prices if it passed on some of those savings. That might also benefit the University in reputational terms because it will be making this process available to all major fabricators and so providing the greatest possible environmental benefit.

SECTION 2

Project team

The project should be led by a representative appointed by the factory manager. This will be a manufacturing project and so it will be sensible for it to be led by an engineer who can liaise directly with production staff. The project will require the installation of glass-making equipment in a location that is convenient for factory staff to integrate the manufacture of sealed units into the creation of windows and doors. It is also important that the design and specification of the machinery that will be used to make the sealed units meet Shinyglas' needs in terms of quality and scheduling.

The team requires input from Product Development, who will be able to advise on the new products that are under consideration and the implications of those for the design of sealed units. This team member need not necessarily be an engineer but should understand the features that may have to be designed into sealed units in order to allow for new products under development. It would be undesirable for Shinyglas to be forced to rely on third parties to manufacture glass for any innovative new products that the company develops. The best way to avoid that would be to be clear about the facilities that the glass-making plant may have to include.

The team should include a member of staff who is experienced in manufacturing glass. It may be possible to recruit a suitable member of staff to take charge of the glass-making equipment once it has been acquired. If so, that person could be added to the project team to advise on the construction of that part of the factory. Alternatively, an adviser could be recruited to act in an advisory capacity, ideally a member of the University staff who developed the new process. The important thing is to ensure that the project team can be briefed on the choices that have to be made in terms of selecting equipment and ensure that Shinyglas will have sufficient capacity for the manufacture of sealed units.

A member of the finance team should be included in the project team to ensure that budgets are managed effectively. This could be a significant investment that could put Shinyglas' cash flow under some pressure and so it would be ideal to have the project's management include a representative from finance. It will also be necessary to make arrangements with suppliers regarding the materials that will be required for glassmaking. A senior manager from finance will be able to address any questions that suppliers will have before opening a credit account to enable Shinyglas to do business.

Finally, it would be helpful to include a member of the sales staff to act as a liaison. The local manufacture of sealed units is intended, at least partly, to reassure customers that the doors and windows are manufactured with a view to minimising environmental damage. Including a member of sales in the project team will ensure that the potential benefits are fully understood and that salespeople are briefed on those benefits.

There may also be some choices that have to be made in establishing this capability that will affect the sales process. Having a salesperson on the team will enable the concerns that customers will raise to be taken into consideration.

Monthly reports

The project team should use a formal planning tool such as PERT to prepare a detailed project timeline that indicates the actions that need to be completed before glassmaking can commence and sets out the impact that each plan that each action will have on the completion date in the event of a delay. Shinyglas is not under particular pressure to complete the project because it can continue to buy sealed units from third parties until the factory is ready. There is, however, cash tied up in the purchase of the rights to use the new process and a cost associated with doing so, which means that it is desirable to start making glass as quickly as possible. Any slippage that might delay the completion of the project should be identified and the actions that have been taken in response should be reported so that the Board can be satisfied that all necessary steps are being taken. Project planning tools can also demonstrate that the plans relating to the individual steps are optimal.

The project team should provide the Board with minutes of all meetings. These should have a structured agenda, clear summaries of all discussion and action points with designated responsibilities. The minutes will enable the Board to identify any problems that are emerging with respect to the progress of the project and will provide assurance that actions have been planned to put matters right. The minutes should include a section for “matters arising” from the minutes of the previous meetings, which will reassure the Board that effective steps are being taken.

The Board should be provided with regular financial projections for both completion costs and operating costs for the new glass-making activities. Shinyglas has no past experience to draw upon and so it may prove more expensive to equip the new glass-making section of the factory than had been predicted. The project team should have a budget and should provide the Board with regular updates on any cost overruns. The operating costs after the project has been completed should be reported and any deviation from the budget identified. It should be borne in mind that Shinyglas expects its own sealed units to cost the same as those purchased from existing suppliers. Any adverse variances could have a significant cost of manufacturing window units.

SECTION 3

Business risks

The product risk associated with this new glass is relatively low. Glass is presently purchased as a commodity and all major fabricators use the same supplier. Shinyglas does hope that some customers will buy its replacement doors and windows because this new glass will offer some advantages in terms of sustainability. It is possible that consumers will not be attracted by that aspect and so sales might be disappointing. The impact of that will, however, be limited because the new glass will not be any more expensive than Borovu's. The one possible concern is that rival fabricators might attempt to describe Shinyglas' sealed units as being poor quality and that could cost sales in terms of doors and windows. The fact that Shinyglas is replacing a well-known and trusted supplier could be a problem.

There may be a commodity price risk arising from the fact that this is a new process that was developed in a laboratory by a university research team. The researchers who developed the process are not experienced in commercial manufacturing and so they may have made incorrect assumptions about the mass production of sealed units. Shinyglas will have a greater exposure to fluctuations in the individual costs of materials and labour, which was previously a matter for Borovu, to be concerned with. It will, however, be possible to mitigate those risks to some extent by switching back to Borovu for the supply of its sealed units if manufacturing costs are unsustainable. Its exposure will be limited in relation to fluctuations in energy costs, both electricity for manufacturing and diesel fuel for transportation of units. The manufacturing process is designed to use less electricity and manufacturing will occur on site, so Shinyglas will be less exposed to movements in those costs than it was before.

Operational risks will arise because of the potential problems associated with the construction of the new production facility and the quality control in the manufacturing process. Shinyglas will be required to design a glassmaking factory, select and install equipment and recruit glassmaking staff. Glassmaking is very different from using CNC equipment to cut lengths of uPVC to make frames. This is particularly true because this is a new process and so there may be very few potential employees who will fully understand the new process. There is also the possibility of quality control problems with initial production batches failing, either because of inexperience or because of fundamental problems with the new process. Customers will be unhappy if their new windows require replacement sealed units because of condensation between the panes of glass and may leave negative reviews on social media.

Accounting ratios

The most immediate impact will be that Shinyglas' gearing ratio will increase because of the substantial additional borrowing. The additional debt will increase non-current liabilities by almost 50%. That is a significant increase which will make both lenders and shareholders perceive the company as riskier. There may also be

concerns about the extent to which the additional investment affects Shinyglas' performance.

The additional debt will increase Shinyglas' long-term finance, which is likely to make Shinyglas appear to be less profitable. In the year ended 30 September 2025, profit before tax will reduce because of the additional loan interest, while equity will remain unchanged. That will reduce the return on equity ratio. There could be an even larger reduction during the year ending 30 September 2026 because the company will pay a full year's interest.

Return on capital employed might also decrease because operating profit will remain unchanged while debt plus equity will increase. Again, that will appear like a reduction in profitability. It is hoped that switching to manufacturing glass will have the desired effect of increasing customer demand because of improvements in sustainability. Ideally, the increase in activity will be sufficient to offset the increase in capital employed. In that case, Shinyglas' Board will have to ensure that the shareholders appreciate the commercial benefits arising from this new process. Even if activity does increase, the gross profit percentage will remain unaffected because the cost of manufacturing glass will be the same as that of buying it.

SECTION 4

Integrated report

Shinyglas' intellectual capital will show both the intellectual property (IP), in the form of the patent that prevents rivals from using the process, and the organisational capital, in the form of the skills of its production staff. The <IR> should explain how Shinyglas' IP enables it to manufacture sealed units using a unique and patented method that is not available to its rivals. The cost of acquiring this IP and its potential commercial lifespan should be disclosed in the report. The processes developed to make glass using the patented method will also help staff to obtain a better understanding of the factors that ensure the best quality in glazing replacement doors and windows. Rivals are all simply specifying the same popular manufacturer's sealed units. Those are almost certainly of an acceptable quality, but they may not necessarily be superior to Shinyglas'.

Disclosures on social and relationship capital will focus on the ways in which the ownership and implementation of this process will enable Shinyglas to maintain effective relationships with stakeholders. The university that developed the glass-making process has benefited from Shinyglas' willingness to pay for the patent and also from the positive publicity associated with implementation. Shinyglas might find itself well positioned to benefit from further offers of IP developed by academics, which could help it to remain ahead of rival fabricators. The company might also find its innovative approach to glassmaking assists in developing a relationship with commercial customers, such as builders, who wish to place large orders for doors and windows. The <IR> could report on the extent to which the ability to make sealed units while using less electricity has assisted in developing a strong relationship with major customers.

The <IR> can quantify the ways in which Shinyglas' use of this new process has reduced energy consumption and so emissions. It should be possible to use the research produced by the university team that created the glass-making process to support an estimate of the savings in electricity instead of buying glass from Borovu. Shinyglas should also be able to estimate the number of road deliveries of sealed units from Borovu that have been avoided and the number of vehicle miles that have been saved. Shinyglas should also be open about the fact that these are gross savings. It should acknowledge that it was necessary to buy raw materials for processing into glass, which could offset at least some of the savings associated with buying completed units from Borovu. It might also be helpful to remind stakeholders that double glazing is an inherently sustainable product in the sense that it reduces heating costs after installation.

Business model

One challenge may arise because Shinyglas will be cutting off an important relationship with Borovu, the company that presently supplies its sealed units.

That creates a specific threat to Shinyglas' business model because it will quickly become dependent upon its own glass-making activities. If it cannot count on a

stable source of good quality sealed units, then it will not be able to fulfil customer orders. Presumably, Borovu will seek out alternative customers to replace the sales that would otherwise have been made to Shinyglas. It may not have sufficient capacity to restart sales to Shinyglas if the new process fails and it becomes necessary to buy glass from third parties. Shinyglas is relying on a new glass factory using an untested process and so the risk of failure is fairly high. It may be possible to address that challenge by operating on a test basis for an extended period. During that time, Shinyglas could operate its own production, while buying glass from Borovu. This would be expensive, but it would reduce the potential risk.

The Shinyglas business model relies heavily on relationships. The model specifically mentions suppliers of sealed units, but also the contractors who install windows and the self-employed salespeople responsible for sales. Dispensing with Borovu's services could lead to a loss of trust with the other partners on whom Shinyglas depends. Some of these businesses could consider switching to rival fabricators or working with smaller double-glazing companies. It may be possible to address that challenge by keeping the other business partners involved in the development of the new glass-making process, making it clear that there will be no fundamental change to the processes of selling and installing doors and windows. The focus throughout should be on encouraging these other business partners that the new glass is expected to make it easier to make sales and so will increase the amount of installation work.

MANAGEMENT CASE STUDY

NOVEMBER 2024 & FEBRUARY 2025

EXAM ANSWERS

Variant 2

These answers have been provided by CIMA® for information purposes only. The answers created are indicative of a response that could be given by a good candidate. They are not to be considered exhaustive, and other appropriate relevant responses would receive credit.

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SECTION 1

Business model

Shinyglas' business model defines value in terms of the mutual support provided to and received from stakeholders, including salespeople. Shinyglas will have to change the manner in which salespeople are equipped to make sales to builders and other large customers. The Commercial Sales Team will be paid partly by salary, but they also receive sales commissions. They could find themselves suffering a loss of income if they are unable to close bids. Shinyglas should work closely with the Commercial Sales Team and it should provide them with the training and other support that they require to enable them to make sales to builders. The company should consider paying generous salaries to the team members, with just a "bonus" element paid by sales commission so that employees are not unduly stressed when bidding and negotiating with major customers.

Shinyglas creates value through working with business partners to ensure that customers are happy with the windows that are designed and fitted by experts and add value to customers' homes. Those business partnerships will be less important in the context of bulk sales to builders because the builders will specify and install the doors and windows themselves. Shinyglas should attempt to develop business partnerships with builders so that there is mutual benefit from the award of bulk orders. If, for example, Shinyglas could negotiate the ability to name major customers, then the award of a bulk contract would create positive publicity for both parties. Builders might then be willing to grant Shinyglas priority when future contracts are being awarded, partly because they have effectively acknowledged that Shinyglas has provided them with good quality doors and windows in the past.

Shinyglas delivers value through its network of salespeople, who assist customers in selecting the products that are most suitable for their needs.

It may be possible for Shinyglas to develop direct relationships with one or more major builders so that they will at least request a quote from Shinyglas for any major projects that are being planned. The fact that each building project will be planned and completed independently does not mean that Shinyglas cannot attempt to create a mutually supportive relationship. The key would be for Shinyglas to develop an understanding of builders' needs, such as the reliable scheduling of deliveries to tie in with different phases of the construction activities. Shinyglas should ensure that it maintains sufficient capacity to enable it to meet the needs of all customers. If necessary, it should extend the lead times for domestic customers so that it does not risk missing a deadline for a major bulk contract.

Shinyglas captures residual value by maximising revenues from each customer and by managing costs, particularly with respect to paying sales and installation staff on a commission basis. It might make more sense for the company to collaborate with builders to ensure that sales are not lost because of pricing. It may be possible to tailor the quality of the doors and windows intended for bulk orders and to reduce the selling prices in order to remain competitive with rival fabricators. Prices might be negotiated on individual orders, rather than by means of a rigid discount structure that has really been developed for sales to domestic customers.

Business risks

One concern with regard to product reputation risk is that the builders specify and install doors and windows themselves. Shinyglas has no control over the quality of the work being done. Builders might blame Shinyglas for any problems with doors or windows, even though there is a significant risk of problems arising because of the building work rather than the manufacture of the doors and windows. That could lead to adverse publicity or posts on social media. For example, doors and windows are made to match the dimensions of spaces in walls. The builders will place orders on the basis of architects' plans and drawings. There could be slight inaccuracies in the construction of those walls that means that there is not an exact fit. There could also be problems because the subcontractors who install doors and windows on behalf of builders are working under pressure to meet deadlines or to be available for further jobs. Shinyglas will have no say in the selection of those subcontractors and will be unable to evaluate the quality of their fitting work.

Operational risks could arise because builders' needs in relation to delivery could be very different from those of domestic customers. The implications of failing to meet those expectations could also be significant. Housebuilders may build large housing developments of hundreds of houses in phases of, say, 80 properties at a time. Any delays in the delivery of batches of doors and windows could affect the progress of building work and might delay the completion of the project. Housebuilders may require some flexibility in deliveries. If a phase of houses is delayed because of problems at an earlier stage, then they might prefer Shinyglas to defer delivery of doors and windows until just before they are needed.

The needs of builders could, therefore, disrupt Shinyglas' production schedules. It may be possible to mitigate that problem by storing windows until they are required for delivery, but that could still complicate logistics. Any problems in the initial phases of fulfilling a sales contract could lead to the cancellation of the contract and so a significant loss of business.

SECTION 2

Excessive authority

There is a risk that Shinyglas' Commercial Sales Team will be at a disadvantage in dealing with major builders. The builders will be aware that this is a new team that will be under pressure to win sales. They may attempt to pressure the team to agree to low prices. If there was a further layer of authorisation, similar to the role played by regional sales managers in domestic sales, then the Commercial Sales Team could be better supported in its negotiations with builders. In this case, the builder now knows that the Commercial Sales Team can authorise a price reduction of T\$1.3 million on a T\$4.5 million contract. That builder will expect similar reductions in future negotiations. Competing builders will be unaware of the terms of this sale, but they are likely to use similar negotiation tactics when they are approached by Shinyglas on future contracts. Even if commercial sales are profitable, they may yield insufficient profit to justify the disruption of fulfilling large orders. There is certainly a significant opportunity cost in terms of the higher amount that would be received if the Commercial Sales Team had more limited authority.

The Commercial Sales Team might engage in dysfunctional behaviour in order to demonstrate that it can make sales and in order to earn commission. Each potential contract will require a bid to be prepared and most of that work will be required before the negotiations with customers. There will be no benefit from that work unless the team makes a sale. The sales team could be willing to agree to prices that offer little or no profit for Shinyglas because they may still be entitled to a sales commission. There is, however, an upside risk in the sense that builders negotiating large purchase contracts will not be prepared to deal with junior staff who cannot negotiate with them. Granting authority will enable the Commercial Sales Team to work with potential customers and to be responsive to developments in negotiations, such as a reduction in the price offered by a competing fabricator.

Team membership

The team responsible for preparing bids and negotiating with customers should be led by a senior manager from the Production Department, one who has a detailed knowledge of materials and production processes. It is important that builders can count on accurate responses to questions about the specifications of doors and windows. That has been a problem in the past when salespeople led the bidding process. Some customers may have been unwilling to deal with Shinyglas in the past because they could not obtain acceptable responses to technical questions, so having an expert in production would address that problem. Involving a member of the Production Department would also enable any requests from customers for modifications to product design to be evaluated and costed.

It would be useful to include a senior sales manager who would have a detailed understanding of the basis on which Shinyglas promotes its products.

That would include being able to compare and contrast Shinyglas' products with those of rival fabricators. Salespeople will be experienced in addressing domestic

customers' questions about the advantages of installing Shinyglas doors and windows rather than other manufacturers. Experienced sales managers will be capable of creating and presenting attractive sales bids that focus on the strengths of the company's products. It would be possible to select a sales manager who has experience of making sales to building companies. Before the recent creation of the Commercial Sales Team, Shinyglas used to task salespeople with bidding for this type of contract and so it has experienced sales staff.

The team should include a senior manager from the Operations Department, whose role will be to ensure that any deadlines and delivery schedules do not cause undue harm to ongoing sales to domestic customers. Including a senior manager from Operations will enable the team to liaise effectively with the Operations Department with regard to scheduling production of bulk orders. It would be preferable to be honest with customers and to offer practical delivery schedules that can be met than to win a contract by agreeing to tight deadlines that may be missed.

A senior manager from Finance should oversee negotiations in order to track the effectiveness of the Commercial Sales Team and the value of the contracts that it wins for Shinyglas. Having Finance evaluate initial bids will determine the commercial logic of pursuing those bids and the potential benefits they will obtain if customers agree to those terms. The Finance Manager can also evaluate the agreed terms, comparing those to the terms outlined in the initial bid. The differences are likely to reflect concessions granted to customers in order to secure an agreement. Having Finance review contracts in this way will ensure that Shinyglas has a clear understanding of the revenues and costs associated with these large contracts. If the company comes close to its capacity, then it may be necessary to choose between fulfilling domestic orders and large contracts from builders.

SECTION 3

Just-in-time

A JIT approach would involve working closely with the housebuilder to manufacture windows and doors immediately before they are required for installation in new houses. Such an arrangement would minimise cash tied up in inventory of components and in finished windows. Shinyglas would also be able to avoid tying up its factory in the mass production of windows and doors for this order, which would enable it to be more responsive to orders from domestic customers. JIT will also make it unnecessary for Shinyglas to store large quantities of doors and windows for extended periods. Products can be manufactured in batches for shipping in time to meet the housebuilder's needs. The housebuilder will have a detailed schedule for the work required on each house and so the dates for the installation of doors and windows should be known well in advance, which will simplify JIT. It will be easier to adapt to changing circumstances if Shinyglas is operating on a JIT basis. For example, the property market might slow down, forcing the housebuilder to delay the construction of some of its houses. Shinyglas will have more flexibility if it does not manufacture windows and doors in advance.

JIT would also benefit the housebuilder because doors and windows would arrive on site in convenient batches and so there would be less need to find storage space before installation. The housebuilder will also be able to seek modifications to the design of windows and doors on the basis of experience with the initial supply. Shinyglas will be able to accommodate such requests if the items in question have not been manufactured. Providing the housebuilder with a flexible and efficient service will make it easier to win large contracts in the future.

More time and effort will be needed in dealing with suppliers. It is vital that relationships with suppliers are developed and strengthened and communication enhanced to ensure that there are no delays in receiving raw materials. A full JIT approach would make it necessary to rely heavily upon suppliers of sealed units, uPVC and other components to deliver materials on time to meet Shinyglas' production schedule. Any delay in delivery could result in the disruption of production schedules and so Shinyglas could be embarrassed because it has missed delivery deadlines set by the housebuilder. Late deliveries could be a major problem for the housebuilder, who will be relying on specialist subcontractors to install doors and windows. Any delay could mean that there are no qualified fitters available when the products arrive and so the delay is lengthened.

There could be logistical inefficiencies associated with despatching doors and windows in small quantities that meet the housebuilder's immediate needs. Small batches could lead to inefficient loads, with part-filled trucks that lead to additional transportation costs.

Managing on a JIT basis could lead to additional management time for the planning and monitoring of activities required to achieve JIT production and delivery. The cost of that additional investment in management could outweigh the benefits. It may be more cost-effective to carry a quantity of inventory to act as a buffer, even if that may be slightly inefficient.

Ratios

This order will increase Shinyglas' revenue by $20/298.1 = 7\%$, which will be large enough for the order to have some impact on ratios. The use of JIT for this order will mean that closing inventory will, ideally, be unaffected by the order while cost of revenues will increase. The average length of time that parts and finished goods spend in inventory will decrease and so the inventory turnover ratio, expressed in days, will decrease slightly. That might create a slightly misleading impression that Shinyglas is managing its inventory more efficiently, even though the management of parts and finished goods for domestic sales will be unaffected.

Trade receivables turnover will slow down by a significant amount in comparison to previous years. Shinyglas does not offer trade credit to its domestic customers. They are asked to pay a deposit when they order doors and windows and the balance is payable immediately after installation. The housebuilder is a commercial customer, which means that it will expect a certain amount of trade credit and so the trade receivables will increase by a disproportionate amount compared to revenue. The overall impact on liquidity will depend on the relative changes in both inventory and trade receivables. There is a possibility that Shinyglas will appear to be less efficient overall.

The sale is likely to have an impact on profitability. The contract will probably increase both operating profit and retained earnings, but operating profit will increase by more in proportion to previous years. Return on equity and return on capital employed are likely to increase, making Shinyglas appear more profitable. There is also likely to be a movement in gross profit %, although the size and direction of that movement will be complicated by the fact that the price per unit of doors and windows might be significantly less than that on traditional domestic sales because of the size of the contract. Also, Shinyglas does not have to pay for installation.

SECTION 4

Cash flows

Paying FC a 3% commission could increase the number of contracts won by Shinyglas. It could also lead to housebuilders agreeing to paying more for each contract thanks to FC's intervention. It is, however, difficult to know whether Shinyglas will increase its chances of winning contracts sufficiently to justify the commission that will be payable in the event of success. That difficulty will be mitigated by the fact that Shinyglas would not necessarily have to commit to using FC indefinitely. It could use FC on a trial basis and could discontinue its use of the company if the need arises. This arrangement will also permit Rose to offer her services to other door and window fabricators. Rival fabricators could learn something about how others approach contract negotiations, even if Rose does not explicitly breach confidence. It would be extremely difficult to determine how much Shinyglas might lose because rivals might infer a great deal from doing business with FC.

The alternative of buying a 30% stake would be complicated by the need to negotiate a price for the shares in FC. That may be difficult because FC is not a quoted company and so there is no objective basis for determining the share price. It might be possible to address that difficulty by establishing the amount paid to Shinyglas' Commercial Sales Team and estimating the present value of those payments. That may be a sensible starting point for negotiations with Rose, adjusting the value attributed to the in-house team to allow for Rose's proven track record in the building industry. Under this arrangement, FC will not represent any other door and window fabricators, but it may still represent other businesses. That could lead to FC being distracted when representing Shinyglas if it is seeking work for other clients on the same contract. Rose might concentrate on the clients whom she believes have the greatest chance of success and that could lead to weak bids being submitted on Shinyglas' behalf. It may be possible to address that difficulty by insisting that all bids are submitted to Shinyglas' Board for approval and that the Board can insist on revisions and improvements as required.

Accounting treatment

The question of whether FC is a related party should be addressed in terms of IAS 24 Related Party Disclosures. If FC is identified as an associate of Shinyglas, then it would be defined as a related party. It is, however, unnecessary to consider whether FC is an associate because the company is controlled by Rose, whose spouse is a member of Shinyglas' key management personnel. FC is a related party because of Rose's marriage to Shinyglas' Marketing Director.

Shinyglas' financial statements will disclose the relationship with FC, regardless of whether there have been any transactions between Shinyglas and FC.

If there has been any commission paid to FC, then those payments will be disclosed in Shinyglas' annual report. Those disclosures will indicate the amount of the commissions and any balances outstanding at the year-end in terms of trade

receivables. The terms and commissions of any payables will also have to be disclosed, including possibilities such as whether they are secured or guaranteed in any way.

The associate relationship is defined in IAS 28 Associates. FC is an associate if Shinyglas can demonstrate that it has the power to exercise significant influence. That would require FC to participate in operating decisions, but not to control them. The fact that Shinyglas holds 30% of FC is usually sufficient for it to be presumed that FC is an associate, but the fact that Rose owns the other 70% suggests that it might be difficult to exert any real influence. The question of whether FC is an associate should be determined in terms of observations of the relationship between the two companies and whether it can be demonstrated that Shinyglas actually participates in management.

If FC is an associate, then Shinyglas will recognise 30% of FC's profits in its statement of profit or loss. It will also carry its investment at cost plus its share of post-acquisition reserves. FC is not part of the Shinyglas Group, so it will be unnecessary to eliminate any transactions or balances between the two companies.



MANAGEMENT CASE STUDY

NOVEMBER 2024 & FEBRUARY 2025

EXAM ANSWERS

Variant 3

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SECTION 1

Inconsistent feedback

Shinyglas' business model defines value in terms of working closely with stakeholders. It relies heavily on the work undertaken by installers to create value. The quality of the installation work will have a significant impact on the customers' perceptions of the quality of the service that they have received. Shinyglas' customers are making substantial purchases and so even minor problems with the installation might prove significant. One problem faced by Shinyglas is that the low response rate could result in significant non-response bias. It is possible that customers will only take the trouble to respond to feedback requests if they are either very happy or are annoyed about some aspect of the work. Any dissatisfaction with the installation process could lead to a negative response from the customer. Unfortunately, customers who are broadly satisfied may decide that they do not wish to respond because they have no strong feelings about the service that they have received.

The company creates value through its engagement with business partners. If Shinyglas does not have reliable statistics about the quality of the work done by different installers, then it will be difficult to ensure that work is being allocated to reliable fitters. Companies receive inconsistent feedback over time, which suggests that customers may have inconsistent and unrealistic expectations. An installer may receive negative feedback because the customer was incapable of evaluating the quality of the work after it was completed. Installers will have little motivation to excel because it is unlikely that they will receive positive feedback unless the customer has sufficiently strong opinions to complete the questionnaire. Basing the allocation of work on erratic customer feedback could lead to the loss of installers to rival fabricators.

TQM

One of the principles of TQM is that defects and errors should be avoided because the cost of prevention is lower than the cost of rectification. One problem is that customers may claim that their installation was defective when it was, in fact, error free. For example, a customer might complain that there is a defect because of condensation on a recently installed window, regardless of the fact that condensation is commonplace and cannot be prevented. The sales process focusses on the advantages of double glazing and the quality of Shinyglas' products. It may not always be surprising that customers often have unrealistic expectations.

It is also difficult to ensure a consistent approach to quality in all installation work because Shinyglas relies on a network of fitters that is spread across the country. The fitters are owned and managed independently. Once an installation has been allocated to a particular company, it is expected that it will be planned and completed carefully and in accordance with Shinyglas' standards, but Shinyglas cannot supervise and check the work undertaken by fitters. There is also the concern that no two jobs are the same. Customers' buildings are constructed differently, which can affect the appearance of a new window and cause some disappointment with the finish of any given job. Similarly, the customer may be disappointed with the style of window that has been selected and may attribute that to the manner in which it was manufactured and fitted.

TQM can involve the pursuit of continuous improvement. That would be difficult to implement in the installation of replacement doors and windows because of the constraints faced by installers. For example, installation jobs may have to be completed under time pressure. Customers will be unhappy if the work is not completed on time and they have to arrange access for the work to be completed. There may be times when fitters must aim to achieve an acceptable standard in their work rather than aiming for perfection. In many cases, achieving perfection is difficult because of other constraints. A new door may be perfectly square for it to open and close properly, but the door may have to be fitted in a space that is not perfectly square and the fitters may have to conceal a slight imperfection in the process. In the same vein, a slight imperfection in fitting might not be noticeable to anybody other than an engineer. Very few people would notice if a window was, say, a millimetre out of position.

Installers may not have the ability to seek constant improvements because they work in isolation and have limited scope for sharing ideas and suggestions. Different firms of installers have little incentive to share suggestions concerning improvements because they are effectively in competition with the other installers who service their catchment areas. Passing on suggestions could lead to the loss of business to a local rival.

SECTION 2

Empowering surveyors

The cost incurred by Customer Care has been increasing, which could suggest that surveyors are authorising work that may not be necessary. Surveyors are not direct employees of Shinyglas, which may mean that their loyalty is to their employers rather than to Shinyglas itself. Surveyors have an interest in classifying reported defects as faults in manufacturing, which means that the fitters whom they work for will be awarded contracts to rectify the problems. It might be preferable to ask local fitters other than the firms responsible for the installation to have their surveyors check whether the claims are valid and to classify the defects as either manufacturing or installation. The fitter who originally installed the doors and windows could then be made responsible for the correction of the problem. That arrangement would ensure some independence between the surveyor who conducted the review and the fitter who would be asked to rectify the problem.

Surveyors are not necessarily qualified to identify and classify manufacturing faults in doors or windows. Their primary role is to make accurate measurements and to check the designs submitted by salespeople before manufacture. They would not necessarily be able to identify the reason for, say, a door failing to close properly. It would be possible to address that by requiring fitters to train their surveyors in the identification of the most common problems that can arise because of faulty manufacture or installation. Problems that do not fall within that training can be dealt with by using smartphone cameras to provide Shinyglas' Customer Care Department with photographs or video of the problems. Experts at head office could then talk to surveyors while they are still on site and ask them to work through tests and checks that might indicate that a less common fault had occurred.

Selling prices

It could be argued that Shinyglas' prices are already high and that the company is still able to make sales despite charging more than its competitors. It may be that demand is not particularly elastic because Shinyglas' reputation for good quality products is reinforced by the fact that it charges high prices. If paying fitters more means that they take even greater care in installation, then that could further reinforce Shinyglas' reputation for quality and so prices might not affect demand. Customers will be conscious of the care taken by the fitters and of the quality of their work, so encouraging greater care could lead to positive reviews of dealing with Shinyglas on social media which could further encourage sales.

It might be possible to use the additional revenue to negotiate an adjustment to the terms offered to fitters. By paying more, Shinyglas could persuade fitters to accept responsibility for problems that arise after doors or windows have been fitted.

If that responsibility could be passed on to fitters, then there will be less likelihood of disputes over the responsibility for adjusting and repairs. Customers will receive better aftersales care and so there will be less likelihood of complaints being posted to social media.

Fitters will have a greater incentive to ensure the quality of installations because they will be responsible for rectification, even if the problems are not directly their responsibility. That could include carrying out careful quality checks on doors and windows to ensure that they are free from manufacturing defects before their installation.

It could be difficult to establish whether Shinyglas will obtain any direct benefit from making additional payments to fitting companies. It is possible that at least some will accept the additional payment without making any real effort to enhance the quality of their work. Even if fitters receive an additional payment for each contract, they will not receive any specific reward for additional work that they carry out. They may be tempted to agree to the new terms but could carry on as before when asked to investigate customers' complaints. Customers may be more aggrieved if they have been asked to pay more in order to be certain of a superior service that is not delivered.

It is debateable whether Shinyglas should share any additional revenue created by increasing prices with fitters or any other business partner. Ideally, the additional revenue could be kept within the Shinyglas group and used to benefit shareholders. If no additional costs are incurred, then the additional profit will directly increase profits. Alternatively, Shinyglas could retain some of the additional revenue to finance improvements in aftersales care. The company will have greater control over this if it keeps the management of repairs in-house and uses some of the funds raised to pay fitters or specialists in repair to rectify any defects.

SECTION 3

Cash flows

It will be difficult to predict the revenues from this service. Potential customers could be willing to express interest in the principle of paying a fixed price for cover, but they may be reluctant to pay T\$500 for such a service. The feedback that has been used to inform this proposal appears to have been taken from customers who have just had to incur repair costs and so they might be more inclined to indicate that they would be interested in protecting themselves from further random repair costs. Shinyglas' existing customers are already protected by a 10-year guarantee, so they might be reluctant to pay for cover that provides them with little more than cover for accidental damage. Customers of rival fabricators might be open to buying this service, but the fact that they decided to have their windows and doors installed by a cheaper fabricator might make it difficult to predict whether they will buy this repair service.

Even if Shinyglas could predict the potential demand for this type of service, it would have low entry costs. There would be little to prevent rivals from establishing their own repair services, using their own networks of fitters to carry out repairs. If Shinyglas' service proves popular and attracts large numbers of customers, then rival fabricators may offer their own repairs service, aiming to attract Shinyglas' customers when their contracts are due for renewal. Shinyglas may also face unforeseen competition from existing repair companies, who might take advantage of the publicity created by Shinyglas to promote their own services.

It may be difficult for Shinyglas to predict the cost of servicing the commitment that it is making. Arguably, rival fabricators' doors and windows may be of poorer quality than Shinyglas' and so defects may appear more frequently than expected. Projections on costs may be based in part on its experience of servicing the guarantees on its own products. Shinyglas will not be equipped to predict the cost of repairing other companies' doors and windows. Rival fabricators' doors and windows could be made from cheaper and less robust materials and parts than Shinyglas uses. That could make them difficult and expensive to repair. There is also the concern that the service will cover accidental damage, which is a completely new issue for Shinyglas to contend with. The company will have no understanding of the frequency of accidental damage to doors and windows or of the cost of repairs.

There could be a risk that offering the repair service will reduce the sales volume of the doors and windows that are the basis of the company's business. Customers might decide that it is more cost-effective to buy cheaper doors and windows from rival fabricators and to take Shinyglas' repair service. If the cheaper doors and windows deteriorate over time, then Shinyglas will rectify the defects as they arise and so the cheaper products should last as long as Shinyglas'. Customers may also take the view that Shinyglas must believe that rival doors and windows are of good quality, otherwise the company would not guarantee them against defects for T\$500 per year.

The provision of the repair service could also divert resources from the installation of new doors and windows to the provision of the repair service, which could mean that customers cancel orders if they cannot be installed within a reasonable period of time because fitters are carrying out repairs.

Revenue recognition

The contract should be accounted for in accordance with the requirements of IFRS 15 Revenue From Contracts With Customers. This contract meets the criteria set out by the IFRS for identification. It is known that customers will pay because they are being asked to make payment in advance. Shinyglas will be committed to fulfilling its commitment under the contract because it will affect its reputation if it does not. Each year of the contract will be accounted for separately. There is no obligation requiring customers to renew at the year-end and automatic renewal is really just an attempt to persuade customers to sign on for a further contract at the start of each new year.

The performance obligations imposed on Shinyglas amount to little more than being prepared to make any repairs in accordance with the terms of the contract. It is fulfilling the contract provided it can demonstrate that it has the capability to deal with defects reported by customers. The company can recognise revenue on the basis of the passage of time. If, for example, a customer takes out a contract on 1 January 2025, then it can recognise 9/12 of the value of the contract as revenue for the year ended 30 September 2025.

The costs associated with this service will be recognised as and when defects requiring repairs are reported by customers. It may be that these costs will be known because the work will have been completed before the year-end. The cost of any work that is outstanding at the year-end will have to be estimated and accrued in the financial statements.

SECTION 4

Ecosystem

The relationships between Shinyglas and its fitters and salespeople will be affected by this new service. That will require adjustments in coordination. Shinyglas' network of fitters will have to become far more flexible in responding to requests for service. At present, fitters can be scheduled to install doors and windows at times set well in advance when it is known that they are free. The new service will require fitters to be prepared to make staff available to deal with urgent repairs, such as exterior doors that cannot be locked safely. It may be necessary for fitters to employ additional staff or to use overtime to ensure that repairs can be completed without delaying installations of new doors and windows.

Shinyglas will have to collaborate with fitters and salespeople in order to ensure that there is a mutually-beneficial arrangement for all parties. Fitters should be offered fees for repair work that are sufficient to ensure that opportunities to provide this service are welcomed. It would embarrass Shinyglas if it could not persuade a fitter to despatch skilled staff in response to a request. The service will not be sustainable unless fitting companies earn satisfactory profits from callouts. Shinyglas will also have to ensure that salespeople are willing to promote the repair service during sales calls to customers. There could be a conflict between selling Shinyglas' doors and windows as being of high quality with the backing of a 10-year guarantee while attempting to sell a service that is only beneficial if windows are broken or defective. Shinyglas will have to train its salespeople to address that potential conflict in a way that does not threaten sales of new doors and windows while explaining that the repair service offers meaningful benefits.

Integrated report

Shinyglas will have to create intellectual capital in the form of advertising and promotional materials in order to sell this product. Even the name of this service will be trademarked and will be an item of intellectual property. The company will also have to create systems that enable it to make efficient use of the fitters who are participating in the scheme and so ensure that repairs can be made quickly and to an acceptable standard. That will require processes to be developed, such as the ability to order and receive sealed units quickly in order to replace broken glass. Fitters will also have to be trained in order to enable them to determine whether parts can be adjusted or repaired or whether they require replacement.

This service will enhance the social and relationship capital that already exists in terms of working with networks of salespeople and fitters. Both networks will have to make a fresh commitment to ensuring the success of this new service. There is no point in offering it if it cannot be sold and it would be dishonest to offer it if repairs could not be completed on time. Shinyglas already works closely with these networks of businesses, which rely on Shinyglas for work and revenue. This new service will enable those networks to earn even more. This service will also create new relationships with customers, many of whom will have had no prior dealings with Shinyglas.

Those signing up for the new service will be entering into a potentially open-ended relationship that could continue for several years.

The provision of a repair service will enhance natural capital by encouraging householders to repair defective doors and windows rather than buying new ones. Customers who have subscribed to this service will not have to pay for diagnostic work on, say, draughts or water ingress through their existing doors or windows. Shinyglas' fitters will be able to investigate whether the problem can be corrected and to order suitable replacement parts. The emissions associated with replacing, say, a window seal will be much lower than those associated with making and installing a new window. Even the installation process will be less harmful to the environment because some repairs will require only a single visit, or two if parts have to be ordered. Installing a new window requires a visit to the customer's home by a salesperson, another by a surveyor and a third by the team of fitters.



Management Case Study

November 2024 & February 2025

Exam Answers

Variant 4

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SECTION 1

Business risks

There is a significant product risk associated with Heatcote because it will be difficult for customers to appreciate the difference that it will make to their doors and windows. Warmer homes and reduced condensation are both desirable, but it will be difficult for customers to appreciate what difference, if any, it will make to the running costs and comfort of their own homes. Customers will have to pay for the coating. They will find it difficult to appreciate whether it would be worth paying extra for the benefits that it brings. Even customers who buy the coating will be unable to offer a meaningful recommendation because they will be unable to be certain about whether their windows are better than they would have been without Heatcote.

Shinyglas could be affected by product reputation risk if there are any events that cast doubt on the benefits of Heatcote. One possibility would be that the coating receives negative reviews in consumer advice columns in newspapers or television programmes. The product's reputation probably would not recover from any adverse coverage. There could be further risks, such as complaints that the coating affects the clarity of window glass or that it discolours over time. Potential customers might be reluctant to commit to Heatcote if they are concerned that it might damage their windows.

Operational risks could arise because of the need to manufacture and apply Heatcote to sealed units before they can be installed in Shinyglas' doors and windows. Errors in applying the coating could lead to additional manufacturing costs and could delay the manufacture of completed windows. The coating might also create problems during fitting because of the risk of damage that would lead to the rejection of products.

The coating could lead to misunderstandings that create contractual inadequacy risks. Customers could have unrealistic expectations of Heatcote.

For example, Heatcote can reduce the problem of condensation, but that does not mean that windows and doors will be free of condensation, regardless of the weather conditions affecting customers' homes. Customers might be disappointed to discover that their new windows are still causing some condensation and they might argue that it is excessive. Shinyglas could find itself facing requests for refunds or for the rectification of non-existent faults because of different expectations. It may be necessary to agree to at least some of those claims if only to avoid the adverse publicity associated with ongoing disputes.

Capitalising costs

The accounting treatment of the costs that will be incurred by Shinyglas will be determined in relation to IAS 38 *Intangible assets*. It would appear that there are two separate elements to the costs associated with Heatcote. Shinyglas will have to reimburse the University for the costs that it will incur and it will then have to make a final payment for the University's patent.

Shinyglas could argue that the cost of reimbursing the University for its laboratory work on the creation of Heatcote should be classified as either research or development in accordance with IAS 38's criteria. Shinyglas' Board must ensure that the completion of product development is technically feasible. The University should be asked to confirm that there is a process that should lead to the satisfactory completion of the development work. There cannot be any resource constraints that might interfere with the successful completion of the development work. Shinyglas should be capable of investing the finance required to complete the project and the University should be confident that it has the necessary technical expertise available to it. It must be possible for the cost of the work to be measured accurately, which should not be a problem because Shinyglas will be invoiced for this work on a continuing basis.

Shinyglas can capitalise the patent's cost if it meets the criteria set out in IAS 38. That means that the patent must meet the definition of an asset. For example, Shinyglas must have control over the asset. The terms of the agreement with the University will have to be studied carefully to ensure that Shinyglas has control over the intellectual property that will result from the ongoing research. It must be probable that future economic benefits will flow to Shinyglas. In this case, the company can address that concern by carrying out market research and gathering evidence that the coating will generate revenues.

SECTION 2

Segmenting customer base

It would be ideal if Shinyglas collected details from existing customers that could be used to segment the market for its products. One key segment would be geographical, especially if Templand is large enough to have regional differences in its weather. It seems likely that customers who live in a cold and windy region will be more likely to pay extra for a coating that enhances the heat retention of their double glazing. Shinyglas could focus market research on those regions in the hope that potential customers living there would be more likely to invest in this new coating. It would be both easier and potentially more accurate to predict demand on the basis of a segmented market analysis.

There could be other factors, such as values and attitudes towards environmental protection and sustainability, that might affect willingness to pay for Heatcote. The problem is that it would be difficult to analyse the market without asking customers to classify themselves in terms of their beliefs and those classification will not necessarily be reliable. Customers may be reluctant to admit to having little interest in sustainability and so the relationship between that variable and buying behaviour might be confusing because the segmentation might not be accurate. There is a further complication in that the motivation for the purchase of Heatcote could be affected by different variables, such as a desire to reduce emissions or a desire to save money. Overlaps between different segments could confuse the analysis further. Shinyglas might benefit from segmentation, but it would have to identify objective segments that would have a material impact on this buying decision.

Funding

Debt is the cheaper of the two options, partly because lenders take fewer risks than shareholders and partly because loan interest is allowed as an expense for tax purposes. Unfortunately, the lower cost is partly due to the fact that debt can be inflexible, which can create risks for the company.

Shinyglas' borrowing costs are current $T\$72m/T\$800m = 9\%$. Increasing debt by $T\$92m$ will increase interest costs by $T\$8.28m$, which will reduce profit before tax by $T\$8.28m/T\$44.2m = 19\%$.

Lenders will often demand security for their loans. In this case, the assets are very specific. It is unlikely that lenders will agree to secure the loan against the patent or the specialised equipment. Those assets will have value to Shinyglas, but they may prove difficult to liquidate because there could be few potential buyers. It may be necessary to secure the loan against the Group's existing property, plant and equipment.

Borrowing increases gearing ratios, which can be a problem because higher gearing implies greater risk for both shareholders and lenders. Shinyglas' current gearing ratio is $800.0/(2,413.1 + 800) = 25\%$. Borrowing the funds for this investment would increase that to $(800.0+92.0)/(2,413.1+800.0+92.0) = 27\%$, which is not a huge increase, but it takes the company closer to any borrowing limits based on the gearing ratio.

Equity involves seeking additional finance from the shareholders. It is far more flexible than debt because there are no compulsory payments. The directors can decide whether to pay dividends and the amount that will be payable. Also, the equity will not be repaid.

The fact that the shareholders are taking a greater risk means that they will require a higher rate of return than the lenders. Equity costs more than debt. If the directors do not deliver a sufficient rate of return on equity, then the share price will fall and that could lead to unhappy shareholders who may vote to replace the Board. Also, the cost of equity is not tax deductible, which makes it even more expensive in comparison to debt.

Funding the acquisition using equity will leave existing assets available to provide security for future borrowing, which could mean that Shinyglas will have greater flexibility in the future if it wishes to borrow in order to make further investments. Borrowing would reduce Shinyglas' gearing ratio from 25% to $800.0 / (2,413.1 + 92.0 + 800.0) = 24\%$, which is a small reduction, but it still frees up some borrowing capacity for the future.

SECTION 3

Leadership style

The project team should adopt an autocratic leadership style in which the team's decisions are imposed on salespeople. That is an appropriate style because salespeople are being faced with a difficult challenge. They are being asked to sell a product to customers that enhances doors and windows that already perform well. Customers may be willing to buy Shinyglas doors and windows but be reluctant to incur the additional cost of adding Heatcote to their orders. It will almost certainly be necessary to impose a requirement to sell Heatcote to, say, a percentage of customers who have already purchased replacement windows, otherwise salespeople might be reluctant to press for sales of the upgrade.

Salespeople might not have a particularly strong motive to cooperate with the team in order to sell Heatcote. They can already earn high commissions from the sale of windows that do not have the coating. They may be unwilling to collaborate with the team in order to set targets or adjust sales pitches in case doing so threatens their existing incomes. The Sales Department's team can focus on Shinyglas' interests, without being distracted by the concerns of salespeople.

It could be argued that the autocratic style is consistent with the manner in which salespeople are already led. They are already required to submit customer orders to regional sales managers before they can be finalised. Those reviews are strict. Salespeople are also evaluated on the basis of their ability to convert sales leads into sales orders. Shinyglas penalises them if they do not achieve satisfactory outcomes.

Pricing

This might be a suitable case for penetration pricing, whereby Shinyglas will sell Heatcote as an upgrade, but priced at a little more than the cost of manufacturing and applying the coating. Setting selling prices at a low level in the first instance will enable salespeople to become familiar with the process of persuading customers to add Heatcote to their orders. The low initial price will make it easier to justify adding a new and as yet unproven coating to doors and windows. The low initial price will help to secure initial sales volume for Heatcote, which may be helpful in terms of obtaining feedback from satisfied customers. Positive customer comments on Shinyglas' website should help to persuade future customers that it is worth paying extra for the coating. It may also make it possible to gather sufficient data on the performance of Heatcote to understand its effect when installed in customers' homes. That should help justify the profit foregone from the lower selling initial price.

Salespeople will also be able to present the initial penetration price as an introductory offer that is only available for a short while. Customers may be open to persuasion that they will be missing out on a substantial discount from the eventual regular selling price if they do not buy Heatcote immediately. Having said that, customers will not necessarily be aware that the initial phase of penetration pricing had passed and that pricing for Heatcote had increased. Shinyglas' approach to sales avoids the disadvantage of penetration pricing in that customers will not necessarily be aware that the price has increased since the product was first introduced. Shinyglas does not publish pricelists or quote prices online, so the increase in Heatcote's selling price will be reflected in negotiations during sales visits, but customers will not be aware of the original price.

A final advantage of penetration pricing is that it will give Shinyglas an insight into the elasticity of demand for the new coating. The price of Heatcote can be increased gradually after the initial launch of the product. This can be done on the basis of feedback from salespeople as to whether negotiations with customers suggest that pricing is an issue. It will then be possible to observe the impact of each price increase on demand for Heatcote, which could provide useful insights into planning and managing sales. It would be possible to experiment with prices, knowing that Shinyglas customers are generally willing to pay more for doors and windows in order to obtain good quality products. If it could be established that demand is inelastic, then Shinyglas could possibly increase the price for Heatcote by a significant amount, provided salespeople communicate the benefits of the coating effectively.

SECTION 4

Real option

The licence arrangement would generate revenue for Shinyglas on all sales by rivals at no direct cost because the rights to Heatcote have already been acquired and the cost is a sunk cost. The promotional activities of the rival fabricators would help to make Heatcote a desirable product and so Shinyglas' customers would value the potential benefit of an apparently free coating, potentially increasing sales of doors and windows. The prices of Shinyglas' doors and windows could take account of the fact that a coating of Heatcote will be included. Shinyglas can, if it wishes, charge more for this addition, although care will have to be taken to ensure that sales volume is not lost because of extreme overpricing.

It may be possible to present the release of Heatcote in this way as a positive step towards saving energy and reducing emissions across Templand. Shinyglas could argue that it has decided not to restrict this coating to its own customers because of the environmental benefits of making it widely available.

Shinyglas may lose sales because of this arrangement. The company has a reputation for innovation and quality and so it is beneficial to own patented products and features that cannot be copied by rivals. The other major fabricators will be able to promote the availability of this product in a manner that makes them appear to be innovative.

Rivals may be able to use their ability to apply Heatcote as an argument that their windows match Shinyglas' in terms of performance with regard to heat retention. Shinyglas competes on the basis that its doors and windows are of superior quality than those of its rivals. It will now be possible for rivals to sell windows with enhanced heat retention, which could reduce any perceived gap in performance. It may be that a rival's window with Heatcote is as good as a Shinyglas window, while costing less. Shinyglas could lose sales.

Negotiation

Shinyglas should start by analysing its rivals' competitive positions, both in relation to Shinyglas and the double-glazing market as a whole. It should consider whether the ability to use Heatcote would benefit those rivals and should plan to negotiate on the basis of the advantages that are being offered. Shinyglas should consider a realistic price for the use of this patented material, one that is sufficient for Shinyglas' needs while leaving scope for the rivals to make a profit from Heatcote. Shinyglas should also consider what information it is prepared to make available to those rivals because they will be more likely to take the offer seriously if they have access to information such as sales volume and customer feedback. On the other hand, Shinyglas will have to be careful not to provide rivals with commercially sensitive information that could be used against it.

It would be logical for Shinyglas to approach each of the major fabricators individually in order to minimise the likelihood of them working together and so negotiating a better deal. There are three major rivals, all of whom are much smaller than Shinyglas. Collectively, the three rivals have greater market value than Shinyglas, so they could be stronger if they collaborate. It would be possible to approach the rival fabricators in such a way that they are divided and will not necessarily be able to work together.

Shinyglas could offer each of the rivals slightly better terms than they might have expected from negotiating independently but could put the companies under pressure to sign a contract quickly. Shinyglas does not need to reach an agreement with all three of its rivals. It could still benefit from reaching a deal with only two or even with one of them.

The final agreement with each of the fabricators should be comprehensive and should be defined in terms of binding contracts. The fact that each of the three rivals will be manufacturing and selling Heatcote could create potential problems for Shinyglas, such as modifying the formula and the manner in which the coating is applied. Shinyglas must be able to retain control of its product, otherwise one or more of its rivals could introduce improvements and so could win a great deal of business. There might even be arguments that a reformulation of the coating could undermine Shinyglas' claim that it owns Heatcote could create a dispute over whether royalties should continue to be paid. There could also be marketing issues, such as the manner in which the product is promoted and sold. Shinyglas should consider whether it would be acceptable to change the name from Heatcote or to alter the basis on which customers are persuaded to buy.



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Exam Answers

Variant 5

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SECTION 1

Pricing sales

The approach to pricing is a variation on premium pricing. Shinyglas promotes itself on the basis that it sells good quality products that are superior to those of its rivals. The company charges more than other fabricators, partly to reinforce that reputation for high quality and partly to maximise the revenue and profit from each sale. The pricing strategy is consistent with the company's promotional strategy of focussing on product quality. This approach is logical because replacement doors and windows are always expensive and so it will still cost a great deal to buy from a cheaper rival. Buying a cheaper brand will save money, but it will also lead to a poorer quality. Customers may regard it as a false economy to buy cheaper doors and windows.

Premium pricing creates the risk of lost sales because customers may not always be convinced that it is worth paying significantly more for Shinyglas quality. Fortunately, the fact that salespeople have some flexibility in pricing means that selling prices can be adjusted in response to customer reactions to the list price of their orders. Salespeople have some freedom to negotiate prices after they have established the list price of the customer's order. There are systems in place, including the fact that larger discounts lead to smaller sales commissions, that reduce the risk of dysfunctional behaviour by salespeople. The diminishing discount rates minimise the risk of customers being granted the maximum possible sales discount in order to complete sales quickly. The need to clear all sales with a regional sales manager will also make salespeople accountable for the discounts that they offer.

The manner in which fabricators set their selling prices makes it difficult for customers to compare prices before requesting sales visits. That might make it difficult for salespeople to make sales. Customers might request a quote from Shinyglas because of its excellent reputation for quality but might decide not to proceed immediately because they are surprised by the high price.

It would then be natural for customers to seek quotes from rival fabricators whose salespeople would be able to undercut Shinyglas on price and to offer arguments about the quality of their own products. Some customers will be open to persuasion to sign the rival's sales contract rather than to reconsider whether to give their business to Shinyglas in order to benefit from the higher quality. It may be preferable to risk losing business to rivals in this way because enabling customers to look up the list price could be counterproductive. The list price is artificially high and sales discounts are tailored to customers' expectations.

Engagement of salespeople

Effective salespeople have an opportunity to earn a good income from using their skills to sell Shinyglas products. The average annual commission is 50% higher than Templand's average annual income. Salespeople are self-employed and have the freedom to set their own hours and to operate in the manner that best suits them. If they wish, they can make fewer sales visits provided they are effective in closing sales orders at a reasonable number of the visits they conduct. The challenge is to sell a product that has a strong market reputation for high quality. Potential customers have requested a sales visit and so are interested in buying. It should, therefore, be motivating to work for Shinyglas as a salesperson. On average, a salesperson who makes five sales visits per week should make a sale, with a commission of 10-12% of the value of the customer's order.

There could be problems with maintaining engagement. The average completion rate of 20% of sales visits resulting in sales may not apply equally to all salespeople. Inexperienced staff who are still developing sales skills might not achieve that average. Salespeople who have low conversion rates will receive fewer leads and so could struggle to earn an acceptable living from working for Shinyglas. The need to seek approval for sales from regional sales managers could also result in sales visits proving to be a waste of time if, say, the customer requires only a small order, such as a single window. The sliding scale for commissions also creates problems, with the possibility of a 0% commission on sales based on a 45% sales commission. Overall, there is a possibility that some salespeople will not be engaged because they are unable to earn a reasonable commission. The work will become stressful and will be badly paid.

SECTION 2

Cash flows

Predicting the cost of developing the software will be complicated by the need to be able to provide customers with the feedback and advice they require on the design of their doors and windows. A salesperson can take the customer's wishes as a starting point and can recommend alternatives that would be more cost-effective. For example, the customer might wish to replace an outdated single-glazed window with an identical double-glazed unit, without realising that the proposed new window would not meet current safety regulations. It will be difficult to develop software that allows for all possible constraints and can be updated to allow for price changes and new products. It will be even more difficult to predict the cost of creating, testing and correcting this software. The software will have to be written to a very high standard because sales could be lost if customers place orders online, only to discover that their design is not viable when the surveyors visit to check.

Predicting sales revenues from these online sales will be complicated by the fact that Shinyglas will be sacrificing the opportunity to engage and interact with customers and so sales may be lost. Shinyglas will lose the opportunity to have its salespeople demonstrate the quality of its products and offer incentives, such as quantity discounts for buying additional windows. Shinyglas will lose the opportunity to obtain the full list price from the minority of customers who are willing to pay that, although the impact of offering fixed sales discounts can be predicted on the basis of historical data. Shinyglas will also lose the opportunity to have salespeople interact with customers and that could have a significant impact on future sales revenues. The company could be putting itself at a disadvantage in relation to rival fabricators, who will be able to use Shinyglas' software to show customers that their prices are competitive.

The cost of sales commissions will be difficult to predict. If sales are made online, by means of this software, then Shinyglas will not have to pay a commission. The problem is that some customers may believe that they have nothing to lose from requesting a sales visit in the hope that they will obtain a better price from a salesperson, who will have greater discretion over pricing. Salespeople may not necessarily offer larger sales discounts, but customers may be unwilling to agree to an order unless they do so. If salespeople attend customers' homes for sales visits, then Shinyglas will have to pay them a sales commission for any orders that are negotiated. Shinyglas will have the further challenge of customers sharing their experiences through posts on social media. It will be difficult to predict the number of customers who will heed any such advice before making a purchase.

Accounting treatment

The treatment of this investment will have to be accounted for in accordance with the requirements of IAS 38 *Intangible assets*. In addition to the usual recognition requirements associated with assets generally, the IAS requires that the asset be identifiable, either separable or arising from contractual rights. The question of identifiability will be determined by considering the contractual rights belonging to Shinyglas. It is very likely that Shinyglas has contractual rights granted by the developer to use the software in accordance with the software's licence. That would make the software recognisable as an intangible asset.

The cost of the software will include the amount paid to the developer for the creation of the software and the grant of a licence to Shinyglas for permission to use it. It would be possible to capitalise the cost of testing the software as part of the initial cost of its creation because it is directly attributable to preparing the asset for its intended use, but only if the cost of the testing can be measured reliably. If the testing is carried out by the developer, then there may be a separate charge to indicate the cost. If Shinyglas' employees conducted some or all of the testing, then their employment costs will only be recognisable if they were recorded, perhaps by maintaining detailed timesheets of their involvement with the testing.

The cost will have to be amortised over its estimated useful life. That will require Shinyglas to predict how long it will use the software for. As a starting point, the company could review the software licence for any time limit that will restrict Shinyglas' freedom to use the software into the future. The Board will then have to consider whether the software may have to be replaced or discarded sooner than that contractual limit. It may not be cost-effective to update the software for changes in products and pricing strategies in the long-term future.

SECTION 3

Inefficiencies

The diary system and allocation of sales leads could lead to dysfunctional behaviour by salespeople. There could be problems with salespeople choosing not to sign up for unpopular times, such as weekends, leaving limited availability at times requested by customers. Customers intend to spend a great deal of money and so may be unwilling to accept appointments at times that do not suit them, preferring to contact rival fabricators instead. Allocating leads on the basis of recent sales performance could lead to more effective salespeople taking advantage of the flexibility inherent in the diary system to work fewer days and so enjoy more leisure time. If that starts to affect their rankings, then they will be able to work harder, but it means that the salespeople have control rather than Shinyglas' sales managers. There is also a risk that weaker salespeople will be placed under such pressure to sell during sales visits that they will provoke an adverse reaction from customers.

Allowing sales visits to average 4 hours could discourage customers from seeking a quote from Shinyglas. Double glazing is a major investment and so customers are likely to seek advice from friends and relatives about their experiences. The prospect of spending a whole evening negotiating a price could be a major disincentive to dealing with a particular company. The fact that prices can be adjusted to such a large extent could also create the impression that Shinyglas' doors and windows are overpriced rather than being of high quality. Salespeople are, understandably, keen to make a sale from the first visit to a customer's home, but it may be more effective to offer a brief presentation and a price for the order that is fixed for, say, 1 week. The salesperson could follow that up with a telephone call. There is a risk that extended sales visits that pressure customers into signing will result in orders being cancelled during the statutory cooling off period.

There is a potential inefficiency associated with the need to obtain permission from a regional sales manager before completing a contract. The procedure could undermine the salesperson's credibility and could certainly cost a sale. Customers may be unhappy and unwilling to deal with Shinyglas again in the future if they spend an evening negotiating the purchase of, say, a single replacement window, only to be told that it will be necessary to place a larger order before it is possible to proceed. It would be possible to address that problem by setting criteria, such as minimum order size and maximum sales discount that can be granted on the salesperson's authority. Permission would only be required for orders that will breach those limits. The sales process could also pre-empt unacceptable orders by asking customers to indicate the number of doors and windows that they require and their budget when they are booking their appointments. If their requirements are too modest to justify an order or if their budget is unrealistic, then the salesperson could contact them before visiting in order to establish whether there could be some room for adjustment. The visit could be cancelled if there is little chance of a viable sale.

Performance

Westaglint has a smaller revenue than Shinyglas, but it is sufficient to be a potential threat as a rival. Westaglint's revenue is $T\$173.8m / T\$298.1m = 58\%$ of Shinyglas', making it smaller, but not by orders of magnitude. Westaglint is large enough in comparison to Shinyglas to copy any initiatives that Shinyglas takes to boost sales.

For example, both companies can afford to spend heavily on advertising or to develop and promote new products. The fact that both companies have reputations for product quality makes Westaglint a direct competitor that has to be watched carefully. Shinyglas has to take care to avoid creating any opportunities for Westaglint. It is important to gather feedback from customers concerning this competitor to ensure that Shinyglas remains competitive because the easiest way for Westaglint to expand would be for it to take sales from Shinyglas.

Westaglint's gross profit % is two points higher than that of Shinyglas. That is a concern because any economies of scale would be enjoyed by Shinyglas and so it should really have a higher percentage than Westaglint. If Westaglint is able to charge a higher mark-up on top of cost of sales and selling costs, then it appears to be operating more efficiently than Shinyglas, either in terms of managing costs or achieving higher selling prices. Shinyglas should keep Westaglint's operations under close scrutiny in case it uses its greater efficiency to attempt to take business from Shinyglas. One concern is that it might reduce its selling prices in order to compete by charging a lower price for comparable quality doors and windows. There is also an opportunity for Shinyglas because increasing its gross profit % to 58% would increase gross profit and operating profit by T\$6 million, which is a significant amount in relation to published figures.

SECTION 4

Negotiation

Salespeople should start by establishing what customers need in terms of new doors and windows. Customers should be invited to explain what they want in terms of features, such as openings and materials. Salespeople should offer any recommendations, such as ways in which the design might be improved either to reduce costs or enhance appearance or performance. Taking time to listen will ensure that customers are reassured that their needs have been understood and will be addressed. This would be an appropriate time to share any opportunities to adjust the order. For example, adding a window to the order might push the customer into a higher rate of quantity discount.

Salespeople should explain the benefits of the products that they would recommend in order to meet the customers' needs. Care should be taken to avoid confusing customers with technical details about the doors and windows. It would be sufficient to focus on the advantages of choosing Shinyglas. Customers should be encouraged to ask questions at this stage and salespeople should advise them truthfully on any concerns that they have. The presentation should conclude with an explanation of how much the customer will have to pay for this order.

Customers are aware that salespeople have some discretion to grant sales discounts and so salespeople should be prepared to bargain over price. Care should be taken to avoid a prolonged argument over price, otherwise customers might become reluctant to do business because they feel that they are being bullied into signing a contract. It might be sensible for salespeople to offer a revised price that takes account of customers' personalities and the extent to which they seem interested in buying from Shinyglas. If customers reject those prices, then it might be preferable in the long term to state that there is no scope for a further reduction and so they should consider whether they are prepared to do business with rival companies that offer poorer quality.

If customers agree to the terms that have been offered, then the salespeople should take care to explain the terms of the sales contract and of any loan applications that customers are asked to complete. Clarity is important because customers might decide to take advantage of the statutory cooling off period if they subsequently become confused. Customers should be provided with contact details for Shinyglas' Customer Care Department so that they can resolve any queries that they have concerning their orders.

Debt and equity

Debt has the advantage of being cheaper than equity, partly because lenders take fewer risks and partly because loan interest can be treated as an expense for tax purposes. The lower risk is due to the fact that lenders can make a claim against the borrower's assets in the event of any default. One concern about this loan is that the assets that are being purchased will not be suitable to provide security for a loan. Lenders will not be able to take possession of the conversion of a training room or the training provided to salespeople. There is, however, plenty of property, plant and equipment that could be pledged as security. There would be capacity left over after existing debts had been settled. The tax benefits are also available to Shinyglas because there is sufficient profit to absorb the additional loan interest.

Equity is more expensive than debt because shareholders bear the risks associated with the company's operations. They are unwilling to bear those risks unless they are adequately rewarded for doing so. In this case, Shinyglas is raising a large amount and is using that to make a risky investment. If the investment in training for salespeople is a failure, then the share price will fall, which will be a visible sign of problems with the company. One further advantage of raising equity is that it will create additional borrowing capacity, which could be used to take out additional loans in the future. Shinyglas' gearing ratio will decrease from $800.0/(1,620.3+800.0) = 33\%$ at present to $800.0/(1,620.3+200.0+800.0) = 31\%$, making it a slightly less risky prospect in the future. Borrowing that amount would increase gearing to $(800.0+200.0)/(1,620.3+200.0+800.0) = 38\%$.



AICPA® & CIMA®

Together as the Association of International
Certified Professional Accountants

Management Case Study

November 2024 & February 2025

Exam Answers

Variant 6

These answers have been provided by CIMA® for information purposes only. The answers created are indicative of a response that could be given by a good candidate. They are not to be considered exhaustive, and other appropriate relevant responses would receive credit.

CIMA will not accept challenges to these answers on the basis of academic judgement.

SECTION 1

New product

Shinyglas creates value largely through the provision of opportunities for its business partners, who rely on the company to offer them opportunities to manufacture parts and materials and to provide installation services. This new product would open up a new market in the form of listed properties, each of which will have multiple doors and windows, so there is potentially a significant demand. There will also be a reputational boost for Shinyglas and, by implication, for its business partners because of the publicity associated with the creation and sale of these new windows.

These homes will require specialised products that mimic the appearance of the existing wooden frames that are currently fitted. Surveyors and fitters will also require specialised skills to ensure that the windows have the right appearance and are a secure fit in walls made out of old materials. These requirements will enable manufacturers and fitters to justify high margins on the sale of these materials and services for this new market niche.

The only problem is that the market for this new product is limited to the 390,000 homes that are currently restricted to single glazing. Once those buildings have been upgraded, there will be no further demand unless a further niche can be identified.

Shinyglas delivers value by aiming to meet the needs of customers by providing products that add value to their homes. These new windows will add value even if their owners choose not to purchase them in the first instance. Potential buyers of the listed homes will be able to do so in the knowledge that they can install modern double glazing without impairing the appearance of their homes.

Installing this new product will have a significant effect on the heat loss of these listed properties. The original windows are both single glazed and often very old, leading to draughts as well as heat being lost through heat being conducted through a single layer of glass. Customers will appreciate the reduced heating bills and greater comfort of the new double glazing.

Once installed, the new windows will last much longer than replacement wooden windows that require regular painting and are prone to rotting. Shinyglas' new products will be manufactured from uPVC, which does not rot and requires very little maintenance. The company's normal windows are guaranteed for 10 years and it is likely that the new product will be too.

Negotiating change

Shinyglas should take some practical steps in preparation for its negotiations.

It should create prototypes of its new windows so that it can demonstrate what the new product will look like. These prototypes should be shown to the press, and the environmental advantages, in terms of reduced energy consumption and lower carbon emissions, should be stressed. The potential advantages of fitting these new windows should be researched and supported with independent testing.

Shinyglas should seek the support of owners of listed properties who will, hopefully, be keen to lobby the government to permit their use. These owners will be potentially persuasive because they are voters and can also draw attention to any failure to make a large number of properties more sustainable.

There are also political steps that can be pursued.

Shinyglas should study the legislation that currently prevents the replacement of wooden windows with anything other than identical frames. The key is to understand what changes would be required in the law to permit greater flexibility in order to permit these new windows to be installed. The next step would be to develop a recommendation for the rewording that would be required in order to allow for these new windows. The recommended rewording should allow for the need to protect the character of listed buildings while permitting a limited amount of sensitive upgrading. Doing so will minimise the risk that the government will be discouraged from permitting the changes.

Shinyglas should be open to discussion of the final rewording of the law. The government will have greater expertise in drafting legislation and is also responsible for maintaining the law. Shinyglas should have its legal advisers study any proposed alternations carefully to ensure that any changes that are proposed would allow them to manufacture and sell a satisfactory new product.

SECTION 2

Business risks

There is a serious product risk arising from the possibility that SH will not appeal to the owners of listed buildings and so sales might be disappointing. The fact that the law has been changed to permit the installation of double glazing in these houses does not mean that owners will be keen to do so. They may have purchased the properties because they are keen to preserve the historic authenticity of the buildings and so may refuse to consider SH, even if it is identifiable only on close inspection. Owners may be concerned that the subtle differences between SH and their existing windows will be sufficient to alter the character of their homes.

Shinyglas could address that risk by conducting market research before making a final commitment to manufacture SH, so that it can establish whether there is a viable demand. Ideally, the company should seek the support of any organisations that represent the interests of owners of listed properties and ask them to survey members concerning the desirability of appropriate double glazing. It would also be helpful if Shinyglas could create sufficient prototype windows to fit a number of homes with SH so that architectural experts could examine the end product and its visual impact. Shinyglas could then commission independent experts to write about their opinions concerning SH and could use those reviews in marketing the product.

There is a serious product reputation risk that could arise because of events occurring after the installation of SH in a number of properties. It could be difficult to predict those in advance of the commercial launch of the product. The planning offices at different local governments might interpret the law differently and some might refuse permission to install SH or, worse, could order homeowners to reinstate the original wooden windows after fitting. There could also be concerns that some listed properties have been damaged by the installation of SH. Double-glazed windows weigh more than traditional wooden single glazing and some properties might be damaged by the additional weight. There could also be damage to exterior walls because fitters are not used to installing windows in walls constructed from traditional materials.

Shinyglas should have its legal advisers study the new laws that permit the installation of SH to ensure that the legislation is fully understood. Shinyglas should be ready to pursue any refusal through the courts in order to clarify the meaning of the law. Shinyglas should work closely with builders and restorers who specialise in listed properties in order to seek guidance on the challenges of mounting double glazing in these properties. Surveyors and fitters should receive additional training before they are permitted to work on listed properties and only trained staff should be sent to those properties.

WACC

WACC is the weighted average of the company's debt and equity, so the manner in which the new equipment is funded will have an impact on WACC. Equity is more expensive than debt, so any change in the proportions of debt and equity will affect WACC. WACC will tend to increase if the additional funding is raised from equity and it will decrease if additional debt is raised. There is, however, a possibility that any increase in the use of debt will increase the gearing ratio to such an extent that the shareholders start to perceive a greater risk and so they will demand a higher rate of return. Any such increase could offset the benefit associated with increased use of debt.

This appears to be a risky investment because Shinyglas is targeting a market niche that has not been accessible in the past. The shareholders will bear the risks associated with this investment, regardless of how it is funded. The cost of equity can be calculated in terms of the relationship between expected dividends and the share price. If the shareholders perceive additional risk, then the share price could decrease, which has the effect of increasing the cost of equity. Lenders' positions are secured and so the cost of debt will not be affected. The overall effect of this will be to increase WACC because of the additional business risks that the investment involves.

SECTION 3

Time to market

Shinyglas faces competition from at least three other large fabricators, all of whom could enter this market. Manufacturing SH is largely a matter of buying the sealed units and uPVC mouldings that will be supplied by suppliers, who would be prepared to sell parts to those rivals. The only real constraint to entering this market is the need to invest in specialised manufacturing equipment in the fabricator's factory.

The market for SH is heavily restricted by the fact that there are only 390,000 listed properties. That is the primary market. Once demand from that market has been satisfied, there will be little demand for SH in Templand. Buildings that are listed in the future are likely to have different characteristics and will not necessarily require SH windows. Some homeowners will buy SH for their non-listed properties, but that is unlikely to be a major market because the product is less effective at retaining heat than existing double glazing. Minimising the time to market will enable SH to supply as many of the potential buyers as possible, leaving less incentive for rivals to compete with them. The first mover advantage will also mean that Shinyglas will not face competition in the form of choice for customers. Owners of listed properties will have no choice but to buy from Shinyglas if they wish to double glaze their homes.

The most immediate constraint to getting started is the need to buy and install the specialised manufacturing equipment. Production staff should be tasked with specifying the necessary equipment and preparing space to accommodate it as a matter of some urgency so that orders can be placed. The suppliers of the equipment should be asked to commit themselves to deadlines so that Shinyglas can start to plan for production.

Shinyglas should start to sell SH, while asking customers to accept lead times that allow for the need to get the factory ready. Every sales contract that is signed at this stage will prove the commercial viability of SH and will also reduce the business that would be available to any rivals who decide to develop their own windows for this market.

Shinyglas should place advance orders for specialised sealed units and uPVC extrusions so that the company is ready to start manufacturing and installation of SH once the factory is ready. Shinyglas should place large orders so that potential rivals will struggle to obtain these parts and materials if they decide to enter the market.

Accounting ratios

There will be no production until June 2025 at the earliest. It may take some time for orders to be completed, so there may be relatively few sales during the year ended 30 September 2025. The limited trading means that there will be very little impact on revenue or operating profit. None of the other transactions and balances will have a significant impact on the statement of profit or loss. If the T\$70 million is classified as development, then it will be carried as an asset. There may be a need to amortise that asset, but only for the limited period during which production is being conducted. The T\$200 million of borrowing will increase capital employed, which will lead to a decrease in return on capital employed for the year ended 30 September 2025. That is a significant matter because return on capital employed is the most significant performance ratio.

The additional borrowing will increase loans by 25%. That will lead to an increase in Shinyglas' gearing ratio. Increasing gearing is a serious matter because it will make Shinyglas appear to be a riskier company to invest in. That increase may not, however, be a serious matter because equity is presently more than twice higher than debt and so gearing may not necessarily be affected to a material extent.

The cash flows and other transactions associated with the acquisition of the new machinery may have an impact on liquidity ratios, particularly the current ratio. If the assets have not all been purchased by the year end, then Shinyglas' bank balance will be artificially high. That could inflate the current ratio to an extent that Shinyglas appears to be inefficient in terms of managing cash.

SECTION 4

Stress testing

Glintglas will effectively have two customers, both of whom will require goods to be produced to meet their delivery schedules. Before investing in this venture, Shinyglas will have to consider how any conflicts should be addressed if there is a risk of delay in deliveries to either Shinyglas or Westaglint. It would be sensible to consider the likelihood that there could be bottlenecks in production because demand is outstripping supply. The question of priorities does not matter if there is little likelihood of there being production delays. Any mechanism for resolving conflicts will have to be mutually acceptable to both companies. If it is likely to create problems for Shinyglas, then it may be preferable to reject the proposal.

Shinyglas will have to consider whether the factors that will be considered by Glintglas' measurement team will be in line with the factors that matter to Shinyglas. Shinyglas has a reputation for high quality and so it will wish to ensure that Glintglas does not undermine it by producing poor quality windows. This is a matter that will have to be discussed with Westaglint to ensure that their interests are aligned. Both companies will have to work together to establish mutually acceptable targets for matters such as product quality and cost. Both companies will have to agree on the resolution of conflicts between such factors.

The culture that exists within Glintglas could have a significant impact on overall productivity. Shinyglas will have to consider how Glintglas will be staffed, bearing in mind that it will be located close to Westaglint's factory and so it might be convenient to transfer staff from there. Shinyglas should arrange a meeting between managers from both companies' factories to discuss matters such as the responses of their respective production staff to solving problems. It may be preferable to have a consistent approach based on one company rather than drawing staff from both companies. It would be undesirable for there to be conflicting cultures at Glintglas.

Ensuring flexibility could be complicated by the fact that Shinyglas and Westaglint must agree on all significant decisions. That could lead to delayed or inconsistent decision making. Given that Glintglas will be created to carry out the relatively straightforward process of manufacturing a specific brand of windows, it may be possible to delegate as much authority as possible to the supervisory team. If Glintglas' supervisors are encouraged to act promptly in order to address any problems, then there should be a flexible response to any problems that arise.

Accounting treatment

This appears to be a joint arrangement as defined by IFRS 11 *Joint arrangements*. Shinyglas and Westaglint have joint control, which arises from the fact that decisions require the unanimous agreement of both parties. This is a joint venture because the two companies have rights to the net assets of the arrangement, through both owning equity in Glintglas. Shinyglas will account for its relationship with Glintglas using the equity method that is applicable to associates.

Shinyglas' statement of financial position will value the investment in Glintglas at the initial investment of T\$130 million, plus its 50% share of any post-acquisition reserves.

The investment in Glintglas will be reviewed for impairment, which could be a concern because the company will be restricted to the manufacture of a single product. Shinyglas will recognise its share of Glintglas' profit for the year in its statement of profit or loss.

Transactions between Shinyglas and Glintglas will require some attention. Transactions completed during the year will not be eliminated because Glintglas will not be part of the Shinyglas Group. There could be unrealised profit arising from the sale of windows from Glintglas to Shinyglas. The value of Shinyglas' inventory and profit will be reduced by the amount of that unrealised profit. There could also be unrealised profit arising from the royalty charged by Shinyglas, which will not be realised until the doors are despatched to Shinyglas. In that case, any unrealised profit will be deducted from Shinyglas' retained earnings and its investment in Glintglas.

Management Level Case Study – Examiner’s report

November 2024 – February 2025 exam session

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

General comments

The Management Case Study examinations for November 2024 and February 2025 were based on a pre-seen scenario relating to Shinyglas, a company that fabricates double-glazed windows and doors. This is a complicated business that requires fabricators to develop strong business relationships with suppliers of components, including sealed glazing units, and fitters. The business is further complicated by the fact that double glazing is an expensive purchase, particularly for domestic customers.

Six variants were set on Shinyglas:

- Variant 1: Shinyglas is considering an opportunity to make its owned sealed units that offer significant heat savings in buildings. At present, it buys sealed units from a third-party manufacturer.
- Variant 2: Shinyglas is considering creating an in-house sales team for large commercial contracts, such as supplying double glazed doors and windows to builders.
- Variant 3: Shinyglas wishes to improve the reliability of the feedback that it collects in relation to the fitting companies that Shinyglas relies on for the installation of its products.
- Variant 4: Shinyglas is developing a new coating that improves the heat loss from its windows and doors.
- Variant 5: Shinyglas wishes to improve the motivation of its sales staff.
- Variant 6: Shinyglas is considering the development of a new glazing product that would be suitable for use in conservation areas.

All six variants complied with the published blueprint and covered the core activities in the prescribed weightings. Each variant consisted of four tasks and each task was further subdivided into two separate requirements. The weighting attached to each requirement was stated and candidates were advised to allocate the time available for each requirement on the basis of those weightings. Markers were instructed to adopt a holistic approach to marking, which meant that the answer to each requirement was read and judged on its merits. Markers were provided with specific guidance as to the characteristics of level 1, level 2 and level 3 answers for each separate requirement.

From the candidate's perspective, the key to scoring well is to read and then answer the questions. The expectation is that candidates will be familiar with the context of the company and its industry from their prior study of the pre-seen. Shinyglas is a large fabricator. It relies heavily on suppliers of sealed units and of fitting services in order to provide reliable customer service. It sells to both domestic and commercial customers. It is important to address the specific requirements set in each task. Higher marks are awarded to fuller answers that are relevant and correct. Relevance and correctness are frequently judged in the context of the scenario, taking account of the nature of the business and the specific issues raised by the new information provided in the variant itself and the tasks set by the requirements.

It is important that candidates are familiar with all areas of the syllabus. The F pillar topics often score low marks as the level of knowledge and application is poor. Some of the more technical tasks on the P pillar can also be poorly answered.

A level 3 score generally requires a combination of good technical understanding and good application to the issues arising from the scenario. Scripts that receive level 3 scores generally demonstrate clear and comprehensive discussion and frequently offer an explanation or justification for the candidate's recommendations or arguments. Candidates should always bear in mind that the Management Case Study is essentially a simulation of a series of work-based tasks that represent the professional competence appropriate to this level.

Level 1 scores tended to be awarded to answers that demonstrated some or all of the following:

- failure to address the requirement in the task.
- limited technical understanding of the syllabus content.
- unsupported assertions that had little or no justification.
- illogical or unrealistic application to the issues arising from the scenario.

Variant 1 Comments on performance

	Designed to test	Core activity
Task 1	What are the difficulties associated with using customer feedback to predict the impact that new sealed units will have on sales?	A - Identify and use relevant digital data sources to assist in capital investment decisions
	How should the acquisition of the new sealed unit technology be negotiated?	E - Advise on the negotiation process
Task 2	Who should be appointed to the project team that will implement the new manufacturing process?	B - Identify the key project personnel, explain their responsibilities and set appropriate performance measures
	What information should the project team provide to the Board on a monthly basis?	C - Advise on the measurement, analysis and reporting on the performance of responsibility centres
Task 3	What business risks might arise from switching to in-house manufacture of sealed units?	C - Apply the techniques that quantify and present risk to stakeholders
	What impact will investing in the new process have on key accounting ratios?	D - Select appropriate accounting treatments and explain their implications for users of the financial statements
Task 4	How will the acquisition of the rights to the new technology be reflected in the integrated report?	E - Explain the implications of Integrated Reporting for the reporting entity and its stakeholders
	What challenges will the manufacture of sealed units have for the application of the business model?	D - Select and apply suitable tools and techniques for managing risk and uncertainty in business models

Task 1

The first sub-task asked about the challenges of determining whether customers will be more likely to buy double glazing from Shinyglas if its products are more sustainable because of the new manufacturing process. Candidates were provided with a summary of recent customer feedback. Level 3 answers generally discussed factors that might undermine the accuracy of this feedback. For example, customers might respond that sustainability is a major consideration in their buying decisions, but they might not be prepared to commit to a substantial purchase of a product just because it has been sustainably produced. Level 1 answers tended to be naïve and attempted to interpret the feedback provided in the scenario rather than directly answering the question.

The second sub-task asked for recommendations concerning the approach to negotiating the purchase of the rights to the new process from the university that developed it. Level 3 answers tended to structure the approach to the negotiation in terms of the steps that are generally taken to any negotiation. Answers at this level also addressed relevant issues such as the relative bargaining positions of Shinyglas and the university. Level 1 answers tended to be generic, with little or no attempt to link the negotiating strategy to the question at hand.

Task 2

The first sub-task asked for recommendations concerning the membership of the project team that would be responsible for the implementation of this new manufacturing process. Level 3 answers generally identified five suitable team members and offered a sensible justification for each. There was some variation between answers in terms of membership, but the key was for responses to include a sensible justification. Some candidates assigned “generic” titles, such as team leader. Those who combined such responses with specific recommendations for the individuals who would be assigned to those positions generally scored well. Level 1 answers tended to identify generic titles for team members but made little or no attempt to identify the individuals (by name or by job description) who would take those positions.

The second sub-task asked about the information that should be provided to the Board on a monthly basis in order to enable Board members to track the project team’s progress. Level 3 answers offered sensible performance measures with good justification. Candidates at that level tended to have considered the ways in which the project team should be encouraged to behave and the measures that could be reported to satisfy the Board. Level 1 answers often missed the point, offering costing figures that the glass factory, which has not yet been constructed, might report.

Task 3

The first sub-task dealt with three specific business risks associated with the launch of the new process. Level 3 answers were structured around the three risks listed in the scenario. Candidates at this level offered a reasonable discussion of each risk in turn and demonstrated some understanding of the business issues associated with the launch. Level 1 answers tended to address the three risks but offered little real development of their arguments.

The second sub-task asked about the impact of the initial investment in the new process on key accounting ratios. The unseen material indicated that the investment and its associated loan will be undertaken before the year end, but the timing means that the process itself will have little or no impact on the results for the year. Level 3 answers recognised the ratios that will be impacted in this scenario. For example, gearing will increase and return on capital employed will decrease in both cases because of the increase in debt. Level 1 answers tended to offer a discussion of random ratios that would be left largely unaffected by the circumstances described in the scenario.

Task 4

The first sub-task asked about the impact of the new process on three of the capitals that will appear in Shinyglas' integrated report. Candidates were generally able to identify the impact on the three capitals. Level 3 answers reflected a reasoned discussion of each of the three. Level 1 answers tended to summarise the three capitals but offered little or no discussion of the impact that the new process will have on those capitals.

The second sub-task asked about the challenges to Shinyglas' business model arising from the switch to manufacturing sealed units using the new glassmaking process. Candidates varied in terms of the aspects that they chose to discuss. Some discussed all four aspects, while others were more selective and discussed two or three. All answers were marked on their merits and a more detailed discussion of two aspects could score a similar mark to a relevant discussion of all four. Level 3 answers demonstrated an understanding of the business model and set out a clear discussion of the impact that the new process will have. Level 1 answers tended to summarise the business model, with little or no discussion of the changes that will occur.

Variant 2 Comments on performance

	Designed to test	Core activity
Task 1	How will the business model have to be adapted to manage this increased emphasis on commercial sales?	A - Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	How serious are the risks associated with additional emphasis on commercial sales?	C - Apply the techniques that quantify and present risk to stakeholders
Task 2	What are the risks associated with granting excessive authority to sales teams?	D - Select and apply suitable tools and techniques for managing risk and uncertainty in business models
	How should teams of sales managers be established in order to negotiate contracts effectively?	B - Recognise the characteristics of high-performing teams
Task 3	What are the benefits of introducing JIT to Shinyglas' factory?	C - Identify and apply value management techniques to enhance value
	How will the implementation of JIT impact on Shinyglas' accounting ratios?	D - Use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios
Task 4	What are the difficulties associated with predicting cash flows from each of two collaborations?	B - Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
	How would the relationship with the consultancy be accounted for both as an associate and as a related party?	E - Explain the financial reporting implications of additions to the group

Task 1

This scenario begins by explaining that Shinyglas has been bidding for large construction contracts but with a poor success rate. The Sales Department has proposed setting up a commercial sales team to focus on selling to major builders.

Level 3 answers often referred back to the business model and used a structure of discussing creating, delivering and capturing value. Arguments were clearly explained and included the impact of paying sales staff partly through salaries, the reduction in the need to work with business partners as builders will specify and install the windows and doors themselves, and the possibility of tailoring the quality of products to ensure that sales prices are competitive.

Level 2 responses often correctly identified issues but did not explore them in depth or provide strong justification for recommendations.

Level 1 answers often made general points about the business model and did not demonstrate an understanding of the new sales team and focus on major building contracts.

Candidates were then asked to evaluate the product reputation risk and operational risk that might arise because of the additional emphasis on sales to builders.

Level 3 responses correctly identified the reputational risk that builders will specify and install the windows and doors themselves but could blame Shinyglas for any problems, although Shinyglas will not be able to control the quality of installation or accuracy of specification. They also pointed out that operational risks could arise because builders will have different needs in relation to the delivery of products to domestic customers, which could lead to disruption of production schedules. Issues such as these were well explained. Level 2 answers identified appropriate issues but did not evaluate them and discussion was often quite generic. Level 1 answers identified some risks but did not focus on those which are reputational and operational.

Task 2

Level 3 answers identified issues such as the sales team being at a potential disadvantage because builders would know that they are inexperienced, similar discounts being expected on future contracts and the potential for the team to engage in dysfunctional behaviour in order to win contracts. They also recognised upside potential such as the speed with which the team could make agreements and the fact that builders might be unwilling to negotiate with salespeople who do not have the authority to agree deals. Discussion was well developed and included suggestions to mitigate the risks such as providing a further layer of authorisation. Level 2 answers correctly identified risks but did not fully explore them or provide much evaluation. Level 1 responses identified a narrow range of risks and did not explain them.

Secondly, candidates were asked to recommend with reasons the membership of a more effective team to conduct and oversee negotiations of contracts with builders, with the expectation that such a team would have a maximum of four members.

Level 3 responses made appropriate recommendations for team membership, either by naming suitable individuals or describing the skills needed to make up an effective team. They recognised the need for a knowledge of materials and production processes and representation from the Operations Department who could advise on delivery schedules. Recommendations were well explained and justified. Level 2 answers offered some recommendations but did not fully justify them. Many focussed on the need for experienced salespeople but did not see the need for other skills. Some were too generic, describing the types of people who make up a team in general terms and not focussing on the specific needs of a Shinyglas Commercial Sales Team. Level 1 often discussed teams in very general terms, talking about types of individuals and stages in team formation without focussing on the question requirements.

Task 3

Candidates were first asked to evaluate the advantages and disadvantages of Shinyglas adopting JIT for this order.

Level 3 responses clearly explained both advantages and disadvantages, identifying the minimisation of cash tied up in inventory and the reduction of storage requirements, as well as the need to spend more time and effort in dealing with suppliers. Points made were clearly explained and evaluated. Level 2 responses identified some advantages and disadvantages but were often quite general in their approach, providing textbook style explanations of JIT rather than points tailored to the scenario. For example, some discussed JIT in the context of perishable inventory. Level 1 answers gave little explanation but did identify some advantages and disadvantages.

Candidates were next asked to explain how this large order will affect Shinyglas' accounting ratios, assuming the company adopts JIT for this order and continue as before for sales to domestic customers.

Level 3 answers correctly identified appropriate ratios and explained the impact on them. Suitable ratios for discussion included inventory turnover ratio, trade receivables turnover and profitability. The impact on each was correctly described. Level 2 answers often selected a range of ratios, including some which were less appropriate, such as earnings per share, and did not consistently correctly identify the way in which they would be affected. Some, for example, correctly described JIT in the first section but stated that its use would increase the amount of time parts and finished goods would be held in inventory. Level 1 answers often listed ratios with little explanation or gave explanations which included technical inaccuracies.

Task 4

Level 3 responses correctly identified difficulties such as justifying whether a contract has been won because of FC's intervention and forecasting the cash flow from these contracts. With the second option, there is also the difficulty of estimating how much would need to be paid for a 30% stake. Rose's company is new so there is no track record on which to base revenue forecasts. Answers were clearly explained. Level 2 responses described some difficulties but were often less well focussed, with some candidates discussing very general issues about how the collaboration could work rather than addressing the specific question of predicting cash flows. Level 1 answers often did not differentiate between the two forms of collaboration.

Finally, candidates were asked to explain whether FC should be treated as a related party and/or associate of Shinyglas, assuming that Shinyglas invests in the 30% of FC's equity that has been offered and also to explain how either accounting treatment would be reflected in Shinyglas' financial statements.

Level 3 answers discussed the question of whether FC is a related party in the context of IAS24, explaining that if the company is an associate, then it would be a related party, but it could also be a related party because it is controlled by Rose whose spouse is Shinyglas' Marketing Director. They also explained the associate relationship referring to IAS28, with many correctly pointing out that the influence of Shinyglas may be limited because Rose owns the remaining 70% of the company. Explanation of the accounting treatment was technically accurate. Level 2 answers were often less technically accurate, and some addressed only the related party issues or the associate ones but not both. Level 1 responses were often inaccurate, with some clearly not understanding what a related party is.

Variant 3 Comments on performance

	Designed to test	Core activity
Task 1	What is the impact of an inconsistency on the implementation of the Shinyglas business model?	A - Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	What are the difficulties associated with implementing TQM in the fitting of doors and windows?	C - Use appropriate cost management and cost transformation techniques to manage costs and improve profitability
Task 2	What are the problems associated with empowering surveyors to authorise rectification of defects?	C - Analyse the processes needed to ensure employee engagement, empowerment and alignment to enhance individual and team performance
	Should Shinyglas increase its prices to allow for additional payments to be made to fitting companies, either to allow for greater care in fitting or to compensate for additional work post fitting?	A - Explain which pricing strategies are appropriate
Task 3	What are the challenges associated with predicting cash flows for a new venture?	B - Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
	How should revenue from the new contracts be recognised?	D - Select appropriate accounting treatments and explain their implications for users of the financial statements
Task 4	How will a new venture fit within Spyglas' ecosystem?	D - Support managers by recommending actions to improve financial performance and position and assessing how suggestions impact on the wider organisational ecosystem
	How should this new venture be reported in the integrated report?	E - Explain the implications of Integrated Reporting for the reporting entity and its stakeholders

Task 1

Candidates are presented with the scenario where Shinyglas wish to improve the reliability of the feedback that it collects in relation to the fitting companies that Shinyglas relies on for the installation of its products. Task 1 leads candidates to evaluate the implications of the inconsistency in feedback for the implementation of Shinyglas' business model.

This task was answered reasonably well. Level 3 answers tended to open by highlighting that there is no incentive to complete installation reports and therefore single problem issues can significantly impact on each installation, giving results that show a heavy bias towards dissatisfaction. Satisfied customers have nothing to gain through feedback and so Shinyglas have a rather negative base of information from which to base decisions. Level 3 answers highlighted that there is little obvious incentive for the installers to do any more than an "Adequate" job. Level 1 answers were sparse and vague and did not answer what had been asked.

Candidates were also asked to evaluate the difficulties associated with implementing Total Quality Management (TQM) in the fitting of doors and windows. Good answers highlighted the principles of TQM in problem prevention and continuous incremental improvement; these went on to consider how to differentiate product and process issues and how to categorise and apply measurements or improvements to an environment where the resources used are not direct employees and suppliers are independent. Good candidates interpreted the scenario presented and applied knowledge on how to address some or most of the issues, engaging with the fitters, discussing possible areas for improvement and providing incentives for all parties. Level 2 answers had some appreciation of the different parties' issues and some of the problems of differentiation, while lower level 2 and level 1 answers failed to show any depth of appreciation of the different parties involved and how to engage with any of them. The answers tended to be very brief and simply stated the principles of TQM.

Task 2

This task was answered better than task 1. There was recognition that the surveyors were potentially biased agents of the fitters and that, in many cases, they might not be qualified to pass judgement on the information given. Some answers tended to suggest product defect rather than giving some blame to the handling or implementation process to the fitters who had engaged them to do the work. Level 3 responses were able to identify and justify workable, cost-effective responses to rectify the process, training and self-verification by the surveyors, improvements in applied process, incentives for good work in the first instance. Moderate answers tended to identify expensive rectification such as teams of experts roaming all installations. Poor answers often offered little correction.

The second part of the task asked candidates to evaluate the arguments for and against Shinyglas increasing its selling prices to allow for additional payments to be made to fitting companies, either to allow for greater care in fitting or to compensate for additional work post fitting. High level 2 and level 3 answers reflected the process already suggested in earlier parts of the paper TQM, ownership of problems, closer involvement in the feedback loop, incentives to do a better ratio of "Right first time" installations. Good answers questioned the elasticity of demand over already premium pricing and suggested means to incorporate an after-install care process or

similar added value to justify the premium. Good answers also provided discussion of where to place the added revenue from such a service; any justified answer here was rewarded.

Again, poorer answers were usually short with little application to the scenario.

Task 3

The scenario has moved on a couple of months and a subscription repair service is being considered. Candidates were asked to identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of offering this service.

Answers here represented the widest range of response quality and were often a differential factor for moderate candidates. Some offered very weak to almost no response.

Good candidates highlighted the difficulties in establishing a defined revenue stream from this service. Interest in the service may be very price sensitive and determining an effective premium which will engage and keep customers involved is extremely difficult to predict in the first instance and to sustain after an initial period when it might be assumed that any latent problems will already be exposed and rectified. This would be a premium over the already existing 10-year guarantee and would cover almost all risks, other manufacturers' product and accidental damage.

Good answers highlighted that Shinyglas may simply create a market for their competitors in this environment with rapid engagement possible if the service looks profitable, leading to possible price competition. Potentially dealing with sub-standard materials and historical implementations opens areas of unknown and unquantifiable risk and rectifying accidental damage is also wide open to unlimited risk. All of these reduce the predictability of timing and volume of cash flows.

Poorer answers tended to focus on one or two of these issues in less depth and with less appreciation and application to the scenario.

Task 3 progressed to ask candidates to recommend with reasons the accounting treatment that should be used to recognise the revenues and expenses associated with this service.

This was a relatively straight forward question asking candidates to apply IFRS15 to the scenario given. High level 2 and level 3 answers were very good and understood the issues in the scenario. Better answers gave some detail on the apportionment of revenues and expenses within accounting periods, allowing for accruals of committed work not yet carried out. Level 3 candidates also recognised the potential marketing experience and customer insight being applied in the categorisation of market segments and in the product reliability areas, allowing targeted campaigns for future product sales and enhanced customer care programs.

The main difference with level 1 answers was a lack of application to the scenario presented and little depth in the answers.

Task 4

There were good answers throughout here with better responses digging a little deeper into the detail in the exhibit and with better application to the information in the scenario.

Level 3 answers highlighted the supply chain of resources which needed to be engaged with some flexibility. Good answers also predicted and discussed potential conflict with existing business. There were many possible relevant issues, all of which were rewarded. Level 1 answers tended to lack insight with regard to the interrelationships between the various parties, dealt with any of them in less depth or failed to apply themselves to the scenario presented.

Finally, candidates were asked to recommend with reasons the disclosures that should be made in Shinyglas' Integrated Report in relation to the impact of the new repair service on the companies, intellectual, social and relationship and natural capitals.

This was answered well on the whole, with good candidates providing a well-structured response and going through the elements requested in turn. Level 3 candidates recognised the potential marketing, promotional and advertising materials to enhance brand awareness and enhance the intellectual property of the company. They also recognised the need to build on the social and relationship capital, allowing the knowledge/information interchange to enable the sales and fitters to build the service up without conflict, enabling process preparation, training and supplier management to provide a better service to subscribers. Also noting that natural capital is enhanced through repair, re-use and recycling of components rather than consumption of new.

Good answers focused on the scenario provided. There were many areas for interpretation of possible correct answers. Poorer answers tended to be sparse, commenting on one or two areas only and not developing them.

Variant 4 Comments on performance

	Designed to test	Core activity
Task 1	What business risks will arise from proceeding with the development of this product?	C - Apply the techniques that quantify and present risk to stakeholders
	How can the Board ensure that the cost of this development can be capitalised?	D - Select appropriate accounting treatments and explain their implications for users of the financial statements
Task 2	How would customer segmentation assist in the decision as to whether to proceed with this product?	D - Select and apply suitable tools and techniques for managing risk and uncertainty in business models
	What features of debt and equity make themselves suitable methods of funding the completion of this product's development?	B - Select suitable financing sources and explain the characteristics of the different types of funding
Task 3	What leadership style would lend itself to the management of the launch team?	C - Compare leadership styles and identify the most appropriate style to use
	Which approach should be taken to pricing the new product?	A - Explain which pricing strategies are appropriate
Task 4	What are the advantages and disadvantages of a proposed real option linked to a project?	A - Select appropriate capital investment appraisal techniques and apply them in order to support capital investment decisions, including product/ service development, digital transformation projects and acquisitions
	How should the company go about negotiating the sale of licences to rivals?	E - Advise on the negotiation process

Task 1

Shinyglas has been offered the opportunity to buy Heatcote, a new window coating that will reduce heat loss through the glass in its sealed units. This coating was invented by a university, so Shinyglas will be buying the intellectual property that the university has created. That could affect the commercial and accounting implications faced by Shinyglas in deciding whether to proceed with this purchase.

The first sub-task asked about the business risks that will be faced by Shinyglas if it decides to manufacture and sell this coating. The requirement specified four specific risks. Most candidates used that list of risks to structure their answers and that was generally beneficial. This sub-task was generally answered well. Level 3 answers generally evaluated each risk in turn, explaining how the risk might manifest itself and explaining whether that risk was likely to be serious. Answers at this level offered and supported opinions on the concerns raised by each risk, explaining whether or not it could create problems for Shinyglas. Level 1 answers often failed to address all four risks, thereby losing the opportunity to score marks. Alternatively, answers at level 1 sometimes repeated the same definition for two or more risks and so failed to differentiate the risks specified by the requirement.

The second sub-task asked about the accounting treatment of the payments that Shinyglas would have to make to the university in order to acquire the rights to Heatcote. Candidates were required to consider the accounting implications of buying intellectual property from a third party, which is not necessarily the same as the treatment of costs incurred in-house for research and development. Most candidates correctly identified the need to comply with the requirements of IAS 38 *Intangible* assets. Level 3 answers focussed on the requirement by considering the relevance of actions that will be taken by the Shinyglas Board. For example, capitalising the payments will require the Board to check whether the investment will yield future economic benefits. The directors might do so by deciding that they will offer the coating as an option for its windows. Level 1 answers often did little more than summarise content from study materials. Some of the resulting arguments were irrelevant because they ignored the requirement. Others were incorrect. For example, some level 1 answers addressed the question of capitalising costs from the point of view of the University that invented the coating. Some of the issues raised were not relevant to Shinyglas.

Task 2

Shinyglas is still considering whether to buy the patent for Heatcote from Central City University. That is a challenging decision because the cost of the patent will be significant. It will also be necessary to decide whether there will be sufficient demand for the coating to justify that investment.

The first sub-task asked how segmenting Shinyglas' customer base might be helpful in predicting the demand for Heatcote. The expectation was that candidates would offer an argument based on their understanding of Shinyglas' business and the manner in which it might segment its customers. Level 3 answers generally offered a practical response to the requirement, identifying ways in which Shinyglas might break its customer base down into identifiable groups and explaining how such a classification might be of some assistance. For example, some level 3 answers included the advantages of market research into domestic and business customers as separate groups, explaining that it would be relatively easy to make that distinction and talking about the factors that might influence

demand from each. Answers at this level often identified more than one basis for segmenting the market, perhaps using feedback from marketing questionnaires. Level 1 answers frequently lacked commercial awareness, recommending that the market should be segmented in ways that would be impractical. For example, some level 1 answers argued that Shinyglas should split its customer base between those who would buy Heatcote and those who would not. While such a segmentation would be both desirable and useful, the candidates did not offer any practical suggestions as to how the split might be achieved.

The second sub-task asked about the features of debt and equity that might affect their suitability for funding the cost of acquiring the rights to Heatcote. Level 3 answers provided clear and logical explanations of the features of debt and equity and responded to the requirement of the sub-task by linking those features to the need for finance. Answers at this level often considered Shinyglas' needs in the context of its current financial position, in addition to discussing their suitability for funding the purchase of the patent. Level 1 answers usually lacked depth in their approach, often summarising the features of debt and equity with no attempt to link those features to the funding decision. A significant minority of level 1 answers stated that Shinyglas' existing retained earnings were sufficient to finance the acquisition, despite the fact that the accounting equation makes it clear that retained earnings are not available for such a purpose.

Task 3

Shinyglas has purchased Heatcote and the Board is now considering the implementation issues associated with bringing the product to market. These relate to issues associated with the marketing of the new product.

The first sub-task dealt with the creation of a team that will be responsible for training sales staff in the techniques that should be used to sell Heatcote. Candidates were asked for a recommendation as to the leadership style that should be adopted for this team. Level 3 answers focussed on the requirement and offered a clear recommendation for the leadership style. Answers at this level focussed on the justification for the recommendation that was being made. The justification was important because the choice of style could be a matter of opinion and so no given style is necessarily correct. In the workplace, senior managers and directors will usually seek reasons for any recommendation. Level 1 answers frequently amounted to summaries of the leadership styles that are summarised in study materials, with little or no explanation which might be the best suited to this situation. Candidates who produce level 1 answers often appear reluctant to commit themselves to a specific recommendation. Failure to do so can often undermine an answer.

The second sub-task asked about the pricing of Heatcote. Level 3 answers usually referred to the commercial implications of adding an optional extra to windows that are already expensive and that already have a reputation for quality in terms of preventing heat loss. Answers at this level reflected the fact that any recommendation was a matter of opinion by stressing the justification for the recommendation. Level 1 answers often consisted of descriptions of the available pricing models with little or no attempt to recommend a preferred model. As with the previous sub-task, such an approach is unlikely to succeed. Failing to offer a recommendation also made it difficult for candidates to gain marks for their justifications. Candidates should always offer a specific recommendation when

instructed to do so. Marks are awarded on the basis of the quality of the justification that is offered, even if the suggested answer is based on an alternative recommendation.

Task 4

It appears that revenue from the sale of Heatcote could prove disappointing. The Board is considering the possibility of creating a real option for this project by permitting rival window companies to sell the product under licence.

The first sub-task asked about the advantages and disadvantages of permitting rivals to pay a royalty for the right to use Heatcote. Level 3 answers addressed the requirement by discussing both advantages and disadvantages and by demonstrating some awareness of the commercial implications of such an arrangement. It was encouraging to read logical discussions of this proposal. Level 1 answers tended to consist of summaries of study text content on the ways in which real options can be created.

The second sub-task asked about the approach that should be taken to negotiating the royalty payments with Shinyglas' rivals. This was a further opportunity for candidates to draw in their knowledge of the industry, drawing on their understanding of the preseen. Level 3 answers addressed relevant issues such as the relative bargaining positions of Shinyglas versus its rivals. Answers at this level offered a variety of possibilities, each of which might be expected to affect Shinyglas' ability to negotiate royalties. Level 1 answers tended to do little more than summarise the generic steps in any negotiation, with little application to the scenario.

Variant 5 Comments on performance

	Designed to test	Core activity
Task 1	How effective is the company's approach to pricing sales?	A - Explain which pricing strategies are appropriate
	How effective is the company's approach to ensuring sales staff engagement?	C - Analyse the processes needed to ensure employee engagement, empowerment and alignment to enhance individual and team performance
Task 2	How might the cash flows associated with creating an enhanced online sales platform be predicted?	B - Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
	How would the costs involved in creating and testing the new software be accounted for?	D - Select appropriate accounting treatments and explain their implications for users of the financial statements
Task 3	What are the inefficiencies in Shinyglas' sales process and how might they be addressed?	C - Identify and apply appropriate quality management techniques to enhance value
	How does Shinyglas' performance compare with that of a rival?	D - Use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios
Task 4	How could the negotiation of sales be enhanced?	E - Advise on the negotiation process
	How might the cost of recruiting and retraining staff be funded?	B - Select suitable financing sources and explain the characteristics of the different types of funding

Task 1

Level 3 answers correctly identified that Shinyglas is using a variation on premium pricing, selling good quality products and charging higher prices to reinforce their reputation for high quality as well as to maximise revenue. They provided good evaluation of issues such as the risk of lost sales because the prices are seen as too high, the reduction in the risk of dysfunctional behaviour by salespeople resulting from the diminishing commission rates if high discounts are given and the lack of transparency in pricing.

Level 2 responses provided less well-developed evaluation and often discussed a narrower range of issues, focussing only on the salespeople negotiating discounts. Level 1 answers correctly identified issues with the pricing procedures but did not provide evaluation or detailed discussion.

Candidates were then asked to evaluate the effectiveness of Shinyglas' approach to ensuring the engagement of its salespeople.

Level 3 responses provided a well-balanced evaluation, discussing the potential for skilled salespeople to earn a good income from commission, but also the potential frustration arising from the low success rate with only 20% of visits resulting in a sale and income for the salesperson. The fact that fewer leads are given to those with lower conversion rates could be demotivating, as could the need to seek approval from regional sales managers. Level 2 answers often discussed a narrower range of issues, for example, only commenting on negative pressures on salespeople and not the potential for high income. Arguments were less well developed. Again, level 1 answers identified issues but did not provide much discussion or evaluation.

Task 2

Level 3 answers were well focussed and covered a good range of cash flow items which might present difficulties, including the cost of developing the software, sales revenues, sales commissions and the timescale of the project. Cash flow elements were evaluated in appropriate detail. Level 2 answers were often less well focussed, with some candidates discussing in more general terms the difficulties in carrying out a net present value appraisal of a proposal, such as determining the cost of capital and arriving at an appropriate discount rate. The range of cash flow elements discussed was often less complete and the evaluation provided was limited. Level 1 responses identified a few difficulties, often in the context of a textbook style discussion of the advantages and disadvantages of net present value calculations but did not provide evaluation.

Secondly, candidates were asked to recommend with reasons the accounting treatment of the costs associated with creating and testing the new software, stating any assumptions that will have to be made.

Level 3 responses made appropriate recommendations. Some assumed that the software was created in-house and others that an external developer was used, either of which was acceptable. For example, if a candidate assumed an external developer, then they

explained the requirements of IAS 38 and the need to consider the contractual rights belonging to Shinyglas. Level 2 answers were often less detailed and less technically accurate. Level 1 often did not go much beyond identifying a relevant standard, such as IAS 38.

Task 3

The Finance Director has provided some figures comparing Shinyglas' revenue and gross profit to that of Westaglint, the company's closest direct competitor. Candidates were also provided with some information on Shinyglas' sales process, setting out how sales leads are generated and how the online diary system works.

Candidates were first asked to evaluate inefficiencies in our sales process and recommend with reasons improvements that might be implemented.

Level 3 responses identified important inefficiencies such as the diary system could have limited times available to customers if salespeople do not choose to sign up for times which are inconvenient for themselves, such as weekends. Sales visits lasting an average of 4 hours could discourage customers and the need to seek permission from the regional sales manager could undermine the credibility of the salesperson. Appropriate recommendations to overcome the inefficiencies were made and well justified. Level 2 responses often identified inefficiencies well, but did not fully justify their recommendations for improvement. Level 1 answers did little beyond identifying inefficiencies.

Candidates were next asked to use the information provided in the email to compare the performance of Shinyglas with that of Westaglint and recommend with reasons the implications for Shinyglas' sales.

Level 3 answers correctly identified that, although Westaglint has smaller revenue than Shinyglas, it is large enough to be a potential threat as a rival. Both companies have reputations for good quality, so it is important that Shinyglas does not create opportunities for Westaglint. Westaglint has a higher gross profit %, although Shinyglas should have greater economies of scale, so Westaglint may be more efficient than Shinyglas. Level 2 answers often compared the figures for the two companies but provided limited discussion of the implications for Shinyglas. Level 1 answers described differences between the two company's performance but sometimes with technical errors and did not explore the implications of the differences for Shinyglas.

Task 4

Level 3 responses made appropriate suggestions such as listening carefully to customer requirements, being prepared to bargain over price and taking care to explain the terms of the sales contract. Recommendations were well justified. Level 2 responses made some recommendations but did not fully justify them. Many addressed only a small range of issues. Level 1 answers often identified problems with the current approach but did not make well thought through recommendations.

Finally, candidates were asked to evaluate the characteristics of debt and equity that will affect their suitability for financing the T\$200 million cost of implementing the Sales Department's proposal for training.

Level 3 explored the characteristics of both debt and equity. They correctly identified that debt is cheaper, has tax benefits and would be relatively quick to arrange. Shinyglas has assets which could be used as security. On the other hand, raising equity would create additional borrowing capability, but if the investment is a failure, then the share price could fall. Level 2 answers often selected either debt or equity and focussed only on that, instead of providing a balanced discussion of both elements. Level 1 responses provided a textbook list of characteristics of debt and equity without relating them to the specific requirements of this Shinyglas project.

Variant 6 Comments on performance

	Designed to test	Core activity
Task 1	How would this new product create value for stakeholders within Shinyglas' business model?	A - Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	How would Shinyglas structure its arguments when negotiating for a change in the law to permit the use of this new product?	E - Advise on the negotiation process
Task 2	How should the business risks arising from this new product be managed?	B - Select and apply suitable tools and techniques for managing risk and uncertainty in capital projects
	How will the creation of a risky new product impact the company's WACC?	A - Explain the relevance of weighted average cost of capital
Task 3	How should Shinyglas go about minimising the time to market for this new product?	C - Identify and apply value management techniques to enhance value
	What impact will the commencement of the work on the product have on key accounting ratios?	D - Use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios
Task 4	How should Shinyglas go about stress testing the new manufacturing arrangements?	D - Select and apply suitable tools and techniques for managing risk and uncertainty in business models
	How will the joint arrangement be accounted for?	E - Explain the financial reporting implications of additions to the group

Task 1

Level 3 answers discussed most stakeholders in reasonable depth. Lower level 2 and level 1 answers were one-sided in many cases, candidates didn't seem to consider the broader range of stakeholders, often looking either at customers or suppliers but not both. Some simply copied out the Shinyglas Business Model which was given in the exhibit.

Level 3 answers also dealt with market size. Some assumptions made around the 390,000 given number as the customer base, not looking at percentages of that, or expanding outside that to non-listed buildings where householders could be aspiring to elevate their buildings appearance.

In the second part, candidates were asked to recommend with reasons the approach that Shinyglas might take to negotiate a change in the law to permit the use of this new product in listed properties.

Level 3 answers dealt in depth with preparation, recognising that the first engagement with "Authorities" was likely to be a single crucial step and first impressions would make or break the case. Those candidates were usually the ones to propose canvassing national heritage bodies or similar associations in order to gain support and add weight to their proposals, perhaps lobbying on Shinyglas' behalf. Very few suggested making prototypes to demonstrate the appearance, but many did establish the need to have good knowledge of the likely objections and detailed knowledge of the building regulations. Some suggested it was important to understand the detail of the law and suggest how this can be adapted and updated to include sustainability without compromising the appearance of the building. Level 1 answers were rather brief here, not showing much understanding of the issues. Some candidates simply regurgitated negotiation steps without any application to the scenario.

Task 2

This task was answered better than task 1. The identification of product reputation risk was answered well, much better than product risk. There were some excellent answers which dealt with a wide range of issues affecting both risk types. The need to work with the authorities to ensure that interpretation of the new regulations was accurate, understood and complied with, carrying on with the prevention of problems through specialist sales and fitter training, the need for prior engagement with sponsors and interest groups and discussing the need for exemplar pilot implementations were some of the good discussions in this task.

Lower level 2 and 1 answers generally still had a good grasp of the need for a positive launch but showed rather less awareness of the need to engage planning offices and sponsors with influence. The importance of market research and sizing was generally not apparent in the weaker answers.

In the second part of task 2, candidates were asked to evaluate the potential impact that proceeding with SH might have on Shinyglas' weighted average cost of capital (WACC). This was answered badly. Level 3 candidates understood WACC and the relationship with

equity and debt and were able to succinctly define the effect of either on WACC. Good candidates also recognised the risk factors involved in new product launch in general and, in particular, launching into a niche market.

Low level 2 and level 1 answers failed to show much understanding of WACC, did not apply their answers to the scenario and just listed some issues that could affect WACC, many of these issues were not even relevant to the question. This approach did not get a high mark.

Task 3

On the whole, this task was answered well by many candidates. The key factor in most answers was recognition of the need to beat the competition to market. Level 3 answers highlighted first mover advantage and discussed this together with limited market potential and cost of entry issues deterring some competition from entering the race. Level 3 answers highlighted the anticipation of likely increased demand.

Level 1 answers tended to be very general and thought that setting up a “Specialist team” which would do everything right was the solution to every problem and did not go into the detail which was asked for in the scenario.

In the second part of task 3, candidates were asked to evaluate the impact that SH will have on the key accounting ratios. This was answered very badly. Answers generally touched on ROCE, gearing and liquidity but usually with very little appreciation of how these were affected by the issues raised in the scenario.

Level 3 answers were quick to highlight the timing of the launch fairly close to the year-end date, so very little revenue or operating profit in year. This issue explained the effect on ROCE (dropping significantly) in the short term. Likewise, gearing increasing because borrowing has increased by 25% appears to suggest increased risk; this was also discussed by some candidates. Finally, the impacts on liquidity will be significant, depending on acquisition of the new equipment, again, possibly leading to misinterpretations of cash management. These issues were only covered by the good level 3 answers.

There was a surprising lack of knowledge on ratios shown in answers.

Task 4

This task was an excellent demonstration of the need for forward planning and anticipation of difficulties in an area of incomplete or conflicted control. Good candidates recognised that there should be effective and efficient production meeting all needs but that under adverse conditions many questions arise as to how to manage conflict between the parties.

Level 3 answers were able to walk through the four conditions specified and suggest both the stresses to apply and the types of response to give for each which was excellent. There were many possible answers to this task, the level of understanding of the process and answers application to the scenario were what differentiated the answers; some excellent answers highlighted the need for collaboration, while some level 1 answers simply failed to understand what was required or failed to apply the answer to the scenario.

Finally, candidates were asked to recommend with reasons a suitable accounting treatment for Shinyglas' relationship with Glintglas.

Level 3 candidates highlighted that it was a joint arrangement rather than anything else. Very few answers discussed the treatment of the transactions between Shinyglas and Glintglas relating to unrealised profit in Glintglas. This was a complex point that few explained well. Level 1 answers were very brief here, giving very little discussion of the important issues. Many answers showed a lack of understanding of the subject matter or how to apply it the scenario.

Management Level Case Study November 2024 – February 2025

Marking Guidance

Variant 1

About this marking scheme

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How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.
- If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
- A small range of marks may be given at each level. You will need to use your professional judgement to decide which mark to allocate.
- If the answer is of high quality and convincingly meets the requirements of the level, then you should award the highest mark available. If not, then you should award a lower mark within the range available, making a judgement on the overall quality of the answer in relation to the level descriptor.

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Evaluate opportunities to add value	60%
(b)	E	Manage internal and external stakeholders	40%
Section 2			
(a)	B	Implement senior management decisions	60%
(b)	C	Manage performance and costs to aid value creation	40%
Section 3			
(a)	C	Manage performance and costs to aid value creation	60%
(b)	D	Measure performance	40%
Section 4			
(a)	E	Manage internal and external stakeholders	60%
(b)	D	Measure performance	40%

SECTION 1			
Task (a) Identify the difficulties associated with predicting the impact that making our own sealed units using the process described by James Babb will have on Shinyglas' sales revenue and recommend responses.			
Trait			
Identification	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Lists difficulties	1-2
	Level 2	Describes difficulties	3-5
	Level 3	Offers detailed description of difficulties	6-8
Responses	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Offers some response	1-2
	Level 2	Offers full response	3-5
	Level 3	Offers full response with justification	6-7
Task (b) Explain with reasons how Shinyglas might negotiate contract terms with Central City University.			
Trait			
Approach	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes steps in negotiation	1
	Level 2	Describes approach to negotiation	2-3
	Level 3	Offers a detailed description of approach to negotiation	4-5

Reasons (1)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Offers some explanation for approach	1
	Level 2	Offers justification for approach	2-3
	Level 3	Offers good justification for approach	4-5

SECTION 2			
Task (a) Recommend with reasons the membership of the project team that should be given responsibility for the implementation of the new process.			
Trait			
Members	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Lists members	1-2
	Level 2	Identifies members, stating background	3-5
	Level 3	Identifies members, stating background in detail	6-8
Reasons (2)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains inclusion	1-2
	Level 2	Explains inclusion in detail	3-5
	Level 3	Explains inclusion in detail with justification	6-7
Task (b) Recommend with reasons the types of information that the project team should provide to Shinyglas' Board on a monthly basis in order to track the project team's progress.			
Trait			
Information	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Lists information	1
	Level 2	Describes information	2-3
	Level 3	Offers detailed description of information	4-5

Reasons (3)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Offers some explanation	1
	Level 2	Explains all information	2-3
	Level 3	Explains all information with justification	4-5

SECTION 3			
Task (a) Evaluate the product risk, commodity price risk and operational risk that might arise from the switch to our own in-house manufacture of sealed units.			
Trait			
Product risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Commodity price risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Operational risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5

Task (b) Evaluate the impact that the investment in the new process and associated manufacturing equipment will have on Shinyglas' key accounting ratios.			
Trait			
First ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains impact	2-3
	Level 3	Explains impact with justification	4
Second ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains impact	2
	Level 3	Explains impact with justification	3
Third ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains impact	2
	Level 3	Explains impact with justification	3

SECTION 4

Task (a) Recommend with reasons the most positive disclosures that we can make in our integrated report (<IR>) in relation to Shinyglas' intellectual capital, social and relationship capital and natural capital.

Trait			
Intellectual capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with justification	4-5
Social and relationship capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with justification	4-5
Natural capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with justification	4-5

Task (b) Identify and evaluate the challenges associated with claiming that Shinyglas' business model remains resilient.			
Trait			
Identification	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulties	1
	Level 2	Describes difficulties	2-3
	Level 3	Offers detailed description of difficulties	4-5
Evaluation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issues	1
	Level 2	Evaluates issues	2-3
	Level 3	Evaluates issues with justification	4-5

Management Level Case Study November 2024 – February 2025

Marking Guidance

Variant 2

About this marking scheme

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2. Select the level

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3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Evaluate opportunities to add value	60%
(b)	C	Manage performance and costs to aid value creation	40%
Section 2			
(a)	D	Measure performance	40%
(b)	B	Implement senior management decisions	60%
Section 3			
(a)	C	Manage performance and costs to aid value creation	60%
(b)	D	Measure performance	40%
Section 4			
(a)	B	Implement senior management decisions	40%
(b)	E	Manage internal and external stakeholders	60%

SECTION 1

Task (a) Recommend with reasons the changes that will be required to adapt Shinyglas' business model to manage the proposed increase in sales to builders.

Trait			
Defining and creating	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes model	1-2
	Level 2	Recommends change	3-5
	Level 3	Recommends change with justification	6-8
Delivering and capturing	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes model	1-2
	Level 2	Recommends change	3-5
	Level 3	Recommends change with justification	6-7

Task (b) Evaluate the product reputation risk and operational risk that might arise because of the additional emphasis on sales to builders.

Trait			
Product reputation risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Operational risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5

SECTION 2

Task (a) Identify and evaluate the risks associated with granting excessive authority to the members of the commercial sales team.

Trait			
1 st risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
2 nd risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5

Task (b) Recommend with reasons the membership of a more effective team to conduct and oversee negotiations of contracts with builders.

Trait			
Recommendation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies team members	1-2
	Level 2	Describes members' roles	3-5
	Level 3	Describes members' roles in detail	6-8

Reasons	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes purpose	1-2
	Level 2	Offers reasons for recommendation	3-5
	Level 3	Offers reasons for recommendation with justification	6-7

SECTION 3			
Task (a) Evaluate the advantages and disadvantages to Shinyglas of adopting JIT for this order.			
Trait			
Advantages	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes advantages	1-2
	Level 2	Evaluates advantages	3-5
	Level 3	Evaluates advantages with justification	6-8
Disadvantages	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes disadvantages	1-2
	Level 2	Evaluates disadvantages	3-5
	Level 3	Evaluates disadvantages with justification	6-7
Task (b) Explain how this large order will affect Shinyglas' accounting ratios, assuming that we adopt JIT for this order and continue as before for our sales to domestic customers.			
Trait			
1 st ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains impact on ratio	2-3
	Level 3	Explains impact on ratio with justification	4
2 nd ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains impact on ratio	2
	Level 3	Explains impact on ratio with justification	3

3 rd ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains impact on ratio	2
	Level 3	Explains impact on ratio with justification	3

SECTION 4

Task (a) Identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value of Rose's two forms of collaboration between Shinyglas and FC.

Trait			
1st form	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulties	1
	Level 2	Evaluates difficulties	2-3
	Level 3	Evaluates difficulties with justification	4-5
2nd form	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Suggests response	1
	Level 2	Recommends response	2-3
	Level 3	Recommends response with justification	4-5

Task (b) Explain whether FC should be accounted for as a related party and/or as an associate of Shinyglas and, if it should, explain how it would be accounted for.

Trait			
Related party	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issues	1-2
	Level 2	Recommends classification and treatment	3-5
	Level 3	Recommends classification and treatment with justification	6-8

Associate	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issues	1-2
	Level 2	Recommends classification and treatment	3-5
	Level 3	Recommends classification and treatment with justification	6-7

Management Level Case Study November 2024 – February 2025

Marking Guidance

Variant 3

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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Evaluate opportunities to add value	40%
(b)	C	Manage performance and costs to aid value creation	60%
Section 2			
(a)	C	Manage performance and costs to aid value creation	40%
(b)	A	Evaluate opportunities to add value	60%
Section 3			
(a)	B	Implement senior management decisions	60%
(b)	D	Measure performance	40%
Section 4			
(a)	D	Measure performance	40%
(b)	E	Manage internal and external stakeholders	60%

SECTION 1			
Task (a) Evaluate the implications of the inconsistency in feedback for the implementation of Shinyglas' business model.			
Trait			
1 st implication	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4-5
2 nd implication	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4-5
Task (b) Evaluate the difficulties associated with implementing Total Quality Management (TQM) in the fitting of doors and windows.			
Trait			
Prevention	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines principle	1-2
	Level 2	Evaluates difficulties of implementing principle	3-5
	Level 3	Evaluates difficulties of implementing principle with justification	6-8
Continuous improvement	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines principle	1-2
	Level 2	Evaluates difficulties of implementing principle	3-5
	Level 3	Evaluates difficulties of implementing principle with justification	6-7

SECTION 2

Task (a) Identify the problems associated with empowering surveyors to authorise rectification of defects and recommend responses, stating reasons.			
Trait			
Problems	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies problems	1
	Level 2	Explains problems	2-3
	Level 3	Explains problems in detail	4-5
Responses	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Offers response	1
	Level 2	Offers detailed response	2-3
	Level 3	Offers detailed response with justification	4-5
Task (b) Evaluate the arguments for and against Shinyglas increasing its selling prices to allow for additional payments to be made to fitting companies, either to allow for greater care in fitting or to compensate for additional work post fitting.			
Trait			
Arguments for	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes arguments for	1-2
	Level 2	Evaluates arguments for	3-5
	Level 3	Evaluates arguments for with justification	6-8
Arguments against	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes arguments against	1-2
	Level 2	Evaluates arguments against	3-5
	Level 3	Evaluates arguments against with justification	6-7

SECTION 3			
Task (a) Identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of offering this service.			
Trait			
Identification	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Lists difficulties	1-2
	Level 2	Describes difficulties	3-5
	Level 3	Describes difficulties in detail	6-8
Evaluation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Discusses difficulties	1-2
	Level 2	Evaluates difficulties	3-5
	Level 3	Evaluates difficulties with justification	6-7
Task (b) Recommend with reasons the accounting treatment that should be used to recognise the revenues and expenses associated with this service.			
Trait			
IFRS 15	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies IFRS	1
	Level 2	Discusses relevance	2-3
	Level 3	Discusses relevance with justification	4
Accounting treatment	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes application	1-2
	Level 2	Describes application in detail	3-4
	Level 3	Describes application in detail with justification	5-6

SECTION 4			
Task (a) Identify and evaluate the changes that the new repair service might create within Shinyglas' ecosystem.			
Trait			
Relationships	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4-5
Mutual benefit	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4-5
Task (b) Recommend with reasons the disclosures that should be made in Shinyglas' Integrated Report.			
Trait			
Intellectual capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5
Social and relationship capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5

Natural capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5

Management Level Case Study November 2024 – February 2025

Marking Guidance

Variant 4

About this marking scheme

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- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	C	Manage performance and costs to aid value creation	60%
(b)	D	Measure performance	40%
Section 2			
(a)	D	Measure performance	40%
(b)	B	Implement senior management decisions	60%
Section 3			
(a)	C	Manage performance and costs to aid value creation	40%
(b)	A	Evaluate opportunities to add value	60%
Section 4			
(a)	A	Evaluate opportunities to add value	40%
(b)	E	Manage internal and external stakeholders	60%

SECTION 1			
Task (a) Evaluate the product risk, product reputation risk, operational risk and contractual inadequacy risk associated with Shinyglas' manufacture and sale of Heatcote.			
Trait			
1 st risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4
2 nd risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4
3 rd risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4
4 th risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2
	Level 3	Evaluates risk with justification	3

Task (b) Recommend with reasons the actions that Shinyglas' Board would have to take to ensure that the cost of acquiring Heatcote can be capitalised as an intangible non-current asset in the statement of financial position.			
Trait			
IAS 38	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies IAS 38	1
	Level 2	Describes accounting issues	2-3
	Level 3	Offers a detailed explanation of the accounting issues	4-5
Actions	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies actions that the Board should take	1
	Level 2	Recommends actions	2-3
	Level 3	Recommends actions with justification	4-5

SECTION 2			
Task (a) Evaluate the usefulness of segmenting Shinyglas' customer base might help predict the demand for Heatcote.			
Trait			
Arguments for	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes arguments for usefulness	1
	Level 2	Evaluates arguments for usefulness	2-3
	Level 3	Evaluates arguments for usefulness with justification	4-5
Arguments against	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes arguments against usefulness	1
	Level 2	Evaluates arguments against usefulness	2-3
	Level 3	Evaluates arguments against usefulness with justification	4-5
Task (b) Evaluate the features of debt and equity that affect their suitability for funding the cost of the patent and associated new equipment.			
Trait			
Debt	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes features	1-2
	Level 2	Evaluates features in context	3-5
	Level 3	Evaluates features in context with justification	6-8
Equity	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes features	1-2
	Level 2	Evaluates features in context	3-5
	Level 3	Evaluates features in context with justification	6-7

SECTION 3			
Task (a) Recommend with reasons the leadership style that should be adopted by the Sales Department's project team.			
Trait			
Recommendation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes style	1
	Level 2	Discusses style	2-3
	Level 3	Offers a detailed discussion of style	4-5
Reasons	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes advantages of style	1
	Level 2	Describes advantages of style in context	2-3
	Level 3	Describes advantages of style in context with justification	4-5
Task (b) Recommend with reasons the pricing strategy that should be applied to the sale of Heatcote.			
Trait			
1st argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies strategy	1
	Level 2	Applies strategy to context	2-3
	Level 3	Offers a detailed application in context	4-5
2nd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes justification for strategy	1
	Level 2	Offers a justification in context	2-3
	Level 3	Offers a detailed justification in context	4-5
3rd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes justification for strategy	1
	Level 2	Offers a justification in context	2-3
	Level 3	Offers a detailed justification in context	4-5

SECTION 4			
Task (a) Evaluate the advantages and disadvantages of the proposed real option in respect of Shinyglas' investment in Heatcote.			
Trait			
Advantages	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes advantages	1
	Level 2	Offers a detailed description of advantages	2-3
	Level 3	Offers a detailed description of advantages with justification	4-5
Disadvantages	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes disadvantages	1
	Level 2	Offers a detailed description of disadvantages	2-3
	Level 3	Offers a detailed description of disadvantages with justification	4-5
Task (b) Recommend with reasons the approach that Shinyglas should take to negotiating the sale of licences to make and sell Heatcote.			
Trait			
1st phase	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes first phase of negotiation	1
	Level 2	Describes first phase of negotiation in detail	2-3
	Level 3	Describes first phase of negotiation in detail with justification	4-5
2nd phase	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes second phase of negotiation	1
	Level 2	Describes second phase of negotiation in detail	2-3
	Level 3	Describes second phase of negotiation in detail with justification	4-5

3rd phase	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes third phase of negotiation	1
	Level 2	Describes third phase of negotiation in detail	2-3
	Level 3	Describes third phase of negotiation in detail with justification	4-5

Management Level Case Study November 2024 – February 2025

Marking Guidance

Variant 5

About this marking scheme

This marking scheme has been prepared for the 2019 CGMA Professional Qualification Management Case Study [November 2024 – February 2025].

The indicative answers will show the expected or most orthodox approach; however, the nature of the case study examination tasks means that a range of responses will be valid. The descriptors within this level-based marking scheme are holistic and can accommodate a range of acceptable responses.

General marking guidance is given below, and markers are subject to extensive training, standardisation activities and ongoing monitoring to ensure that judgements are made correctly and consistently.

Care must be taken not to make too many assumptions about future marking schemes on the basis of this document. While the guiding principles remain constant, details may change depending on the content of a particular case study examination form.

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.

- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks. Markers should mark according to the marking scheme and not their perception of where the passing standard may lie. Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.
- If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
- A small range of marks may be given at each level. You will need to use your professional judgement to decide which mark to allocate.
- If the answer is of high quality and convincingly meets the requirements of the level, then you should award the highest mark available. If not, then you should award a lower mark within the range available, making a judgement on the overall quality of the answer in relation to the level descriptor.

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Evaluate opportunities to add value	60%
(b)	C	Manage performance and costs to aid value creation	40%
Section 2			
(a)	B	Implement senior management decisions	60%
(b)	D	Measure performance	40%
Section 3			
(a)	C	Manage performance and costs to aid value creation	60%
(b)	D	Measure performance	40%
Section 4			
(a)	E	Manage internal and external stakeholders	60%
(b)	B	Implement senior management decisions	40%

SECTION 1			
Task (a) Evaluate the suitability of Shinyglas' strategy for pricing sales.			
Trait			
1 st argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
2 nd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
3 rd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
Task (b) Evaluate the effectiveness of Shinyglas' approach to ensuring the engagement of its salespeople.			
Trait			
Arguments for	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes arguments for effectiveness	1
	Level 2	Evaluates arguments for effectiveness	2-3
	Level 3	Evaluates arguments for effectiveness with justification	4-5
Arguments against	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes arguments against effectiveness	1
	Level 2	Evaluates arguments against effectiveness	2-3
	Level 3	Evaluates arguments against effectiveness with justification	4-5

SECTION 2			
Task (a) Identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of creating and operating an online sales facility.			
Trait			
1st difficulty	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2nd difficulty	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
3rd difficulty	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
Task (b) Recommend with reasons the accounting treatment of the costs associated with creating and testing the new software, stating any assumptions that will have to be made.			
Trait			
Recommendation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	IAS 38	1
	Level 2	Offers some recommendations	2-3
	Level 3	Offers detailed recommendations	4-5
Reasons	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Application of IAS	1
	Level 2	Application of IAS and other reasons	2-3
	Level 3	Application of IAS and other reasons with justification	4-5

SECTION 3			
Task (a) Identify inefficiencies in our sales process and recommend with reasons improvements that might be implemented.			
Trait			
1st inefficiency	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies inefficiency	1
	Level 2	Recommends improvements	2-3
	Level 3	Recommends improvements with justification	4-5
2nd inefficiency	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies inefficiency	1
	Level 2	Recommends improvements	2-3
	Level 3	Recommends improvements with justification	4-5
3rd inefficiency	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies inefficiency	1
	Level 2	Recommends improvements	2-3
	Level 3	Recommends improvements with justification	4-5
Task (b) Use the information provided in Nathan's email to compare the performance of Shinyglas with that of Westaglint and recommend with reasons the implications for Shinyglas' sales.			
Trait			
Figures	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issues	1
	Level 2	Describes implications for Shinyglas	2-3
	Level 3	Describes implications for Shinyglas with justification	4-5

Gross profit %	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issues	1
	Level 2	Describes implications for Shinyglas	2-3
	Level 3	Describes implications for Shinyglas with justification	4-5

SECTION 4			
Task (a) Recommend with reasons the approach that Shinyglas' salespeople should take when negotiating sales with customers.			
Trait			
Preparation and opening	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes stage	1-2
	Level 2	Describes approach to negotiation	3-5
	Level 3	Describes approach to negotiation with justification	6-8
Bargaining and closing	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes stage	1-2
	Level 2	Describes approach to negotiation	3-5
	Level 3	Describes approach to negotiation with justification	6-7
Task (b) Evaluate the characteristics of debt and equity that will affect their suitability for financing the T\$200 million cost of implementing the Sales Department's proposal for training.			
Trait			
Debt	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes funding	1
	Level 2	Evaluates characteristics of funding	2-3
	Level 3	Evaluates characteristics of funding with application to Shinyglas	4-5
Equity	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes funding	1
	Level 2	Evaluates characteristics of funding	2-3
	Level 3	Evaluates characteristics of funding with application to Shinyglas	4-5

Management Level Case Study November 2024 – February 2025

Marking Guidance

Variant 6

About this marking scheme

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2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
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- If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
- A small range of marks may be given at each level. You will need to use your professional judgement to decide which mark to allocate.
- If the answer is of high quality and convincingly meets the requirements of the level, then you should award the highest mark available. If not, then you should award a lower mark within the range available, making a judgement on the overall quality of the answer in relation to the level descriptor.

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Evaluate opportunities to add value	60%
(b)	E	Manage internal and external stakeholders	40%
Section 2			
(a)	B	Implement senior management decisions	60%
(b)	A	Evaluate opportunities to add value	40%
Section 3			
(a)	C	Manage performance and costs to aid value creation	60%
(b)	D	Measure performance	40%
Section 4			
(a)	D	Measure performance	60%
(b)	E	Manage internal and external stakeholders	40%

SECTION 1			
Task (a) Evaluate how this new product might create value for stakeholders within Shinyglas' business model.			
Trait			
Business partners	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact on business partners	1-2
	Level 2	Evaluates impact on business partners	3-5
	Level 3	Evaluates impact on business partners with justification	6-8
Customers	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact on customers	1-2
	Level 2	Evaluates impact on customers	3-5
	Level 3	Evaluates impact on customers with justification	6-7
Task (b) Recommend with reasons the approach that Shinyglas might take to negotiating a change in the law to permit the use of this new product in listed properties.			
Trait			
Preparation / practical	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines steps	1
	Level 2	Recommends steps	2-3
	Level 3	Recommends steps with justification	4-5
Bargaining / political	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines steps	1
	Level 2	Recommends steps	2-3
	Level 3	Recommends steps with justification	4-5

SECTION 2			
Task (a) Evaluate the key product risk and product reputation risk and recommend with reasons how both might be managed.			
Trait			
Product risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes risk	1-2
	Level 2	Evaluates risk with some mitigation	3-5
	Level 3	Offers full evaluation of risk and good mitigation	6-8
Product reputation risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes risk	1-2
	Level 2	Evaluates risk with some mitigation	3-5
	Level 3	Offers full evaluation of risk and good mitigation	6-7
Task (b) Evaluate the potential impact that proceeding with SH might have on Shinyglas' weighted average cost of capital (WACC).			
Trait			
Weighting	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
Cost of equity	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5

Gross profit %	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issues	1
	Level 2	Describes implications for Shinyglas	2-3
	Level 3	Describes implications for Shinyglas with justification	4-5

SECTION 3			
Task (a) Evaluate the importance of minimising the time to market for SH and recommend with reasons how that might be accomplished.			
Trait			
Importance	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes importance	1-2
	Level 2	Evaluates importance	3-5
	Level 3	Evaluates importance with good justification	6-8
Recommendation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes recommendation	1-2
	Level 2	Offers full recommendation	3-5
	Level 3	Offers full recommendation with justification	6-7
Task (b) Evaluate the impact that SH will have on the key accounting ratios based on Shinyglas' financial statements for the year ended 30 September 2025.			
Trait			
1st ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines ratio	1
	Level 2	Evaluates impact	2-3
	Level 3	Evaluates impact with justification	4
2nd ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines ratio	1
	Level 2	Evaluates impact	2
	Level 3	Evaluates impact with justification	3

3rd ratio	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines ratio	1
	Level 2	Evaluates impact	2
	Level 3	Evaluates impact with justification	3

SECTION 4			
Task (a) Recommend with reasons the matters that Shinyglas should consider in relation to stress testing Glintglas' production with regard to prioritisation, measurement, productivity and flexibility.			
Trait			
Prioritisation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes area	1
	Level 2	Recommends matters	2-3
	Level 3	Recommends matters with justification	4
Measurement	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes area	1
	Level 2	Recommends matters	2-3
	Level 3	Recommends matters with justification	4
Productivity	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes area	1
	Level 2	Recommends matters	2-3
	Level 3	Recommends matters with justification	4
Flexibility	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes area	1
	Level 2	Recommends matters	2
	Level 3	Recommends matters with justification	3

Task (b) Recommend with reasons a suitable accounting treatment for Shinyglas' relationship with Glintglas.			
Trait			
Standard	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	States IFRS 11	1
	Level 2	Summarises treatment	2-3
	Level 3	Summarises treatment with justification	4
Statements	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes treatment in financial statements	1
	Level 2	Recommends treatment in financial statements	2
	Level 3	Recommends treatment in financial statements with justification	3
Adjustments	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes inter-company matters	1
	Level 2	Recommends adjustments for inter-company matters	2
	Level 3	Recommends adjustments with justification	3