Management Case Study
CGMA Professional Qualification
Pilot papers and exam tutorials

This document contains resources to help you prepare for your case study exam. Use the links on this page to jump to the documents required.

1. Exam tutorial - The case study exam tutorial allows you to gain familiarity with the technology used to deliver the exam.

2. Pilot papers provide you with an opportunity to practice a full-length case study exam using the Pearson VUE exam platform. We have prepared two sample case study exams based on the CGMA Professional Qualification. Follow the steps below:

   a. Review the pre-seen material
   The pre-seen material applies to both pilot exam variants. Use the pre-seen to prepare for a pilot paper.

   b. Take a pilot paper
   Two full length pilot case study exams are available. Follow the steps on the Pearson VUE site to create an account and select a paper. There is no charge. Exams can be taken immediately or within 1 month. Alternatively, you can access a PDF of the exam questions.
      - Variant 1 questions PDF
      - Variant 2 questions PDF

   c. Check the post exam material
   After completing your pilot paper review the suggested solutions as well as marking and examiner guidance to see how you performed and help you focus on areas to revise.

   Variant 1

      - Suggested solutions variant 1
      - Marking guidance variant 1
      - General examiner guidance
      - Specific variant 1 guidance

   Variant 2

      - Suggested solutions variant 2
      - Marking guidance variant 2
      - General examiner guidance
      - Specific variant 2 guidance

Further free study resources can be found on the CGMA Study Hub

If you need any more information, please contact us.

Management Case Study Examination

Case Study Pilot Paper

Pre-seen material

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

Flatthall is a quoted company that owns and operates 174 residential buildings that are located in towns and cities in its home country of Towland. These buildings are subdivided into flats that are rented to full-time students in nearby colleges and universities.

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

You are a financial manager at Flatthall's Head Office. Your primary responsibilities are associated with management accounting, and you report to Susanna Leong, the Senior Financial Manager, who reports directly to the Finance Director.

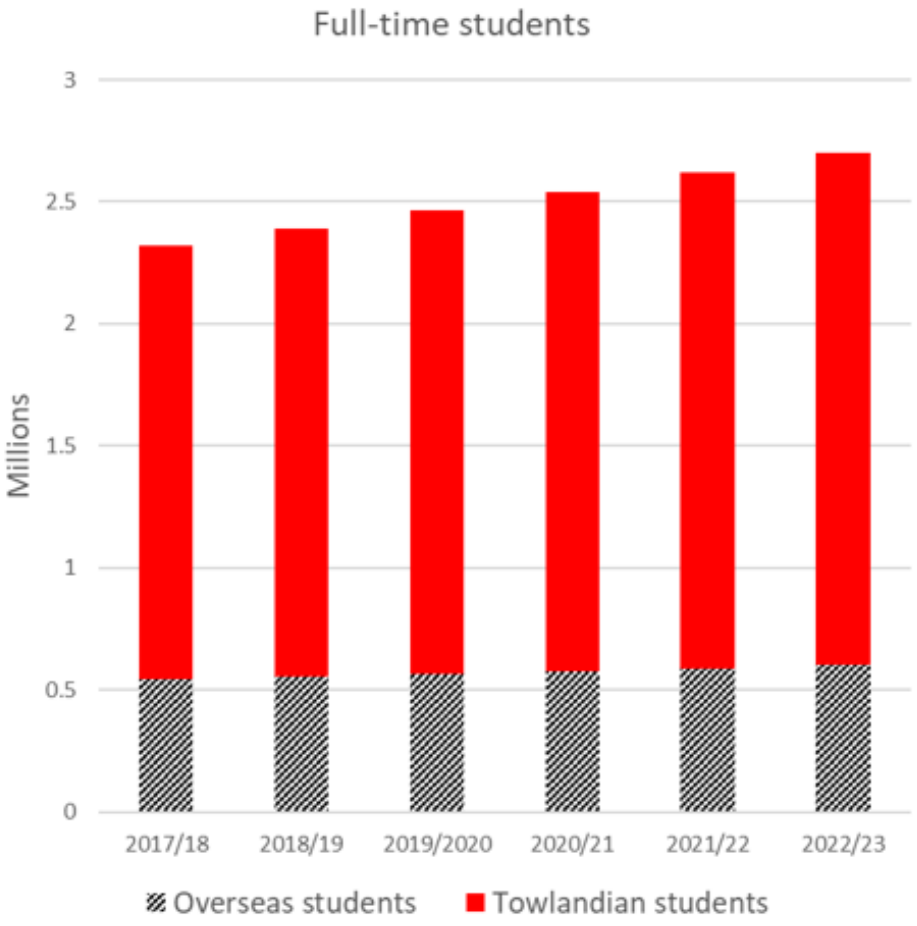
Post-school education in Towland

Towland has a well-developed higher education system, with 215 colleges and universities ("institutions") that provide three-year courses leading to undergraduate degrees.

There is a healthy demand for places at these institutions:

- A large proportion of Towlandians complete a college or university qualification after leaving school. The Towlandian Government subsidises course fees and full-time students can apply for financial support in the form of student loans that need not be repaid until after graduation.
- Towland has a strong international reputation for further and higher education. The country attracts large numbers of overseas students, who believe that they will benefit from studying at a Towlandian university.

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In the academic year 2022/23, Towland had 2.1 million home students and a further 0.6 million overseas students.

Institutions are keen to fill all available spaces:

- Towland's Government subsidises places for home students. Institutions receive student fees and government subsidies, totalling T$8,000 each year, in respect of each home student. The Government sets the maximum number of subsidised student places for each institution. Institutions face an opportunity cost if any of those places are left unfilled.
- Institutions can accept as many overseas students as they wish. They are free to charge as much as they wish for overseas student fees. Overseas student fees vary from T$12,000 to T$30,000 each year, depending on demand for places. Applicant numbers vary according to the reputation of different institutions and also the popularity of different subjects.

  Institutions are keen to attract overseas students because of their high fees and because overseas admissions do not count towards the Government allocation of places. Most institutions have sufficient capacity to accept all suitably qualified overseas applicants.

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Towland's academic year is structured as follows:

September to December 1st semester	January to April 2nd semester	May to August summer vacation
• Induction for new students • Tuition for 1st semester classes • 1st semester examinations	• Tuition for 2nd semester classes • 2nd semester examinations	• Graduation for final year students • Resit examinations (if applicable) • Processing applications for new students

Towland's academic year starts in September and ends in May. Students who successfully complete all assessments, including exams and coursework, are free to take a break from their studies during the summer vacation.

Institutions promote themselves to potential students throughout the academic year. Applications for admission during the following academic year are processed during the second semester and the summer vacation. Successful applicants who accept a place must pay their first year's tuition fee before joining their course.

Student accommodation

Institutions are usually located in towns or cities, some close to a town or city centre and others on the outskirts. Students must attend classes and so require accommodation that is within easy commuting distance.

Approximately, 40% of home students continue to live in their parental homes for the duration of their studies. The remainder seek alternative accommodation, at least during the 1st and 2nd semesters of each academic year of their courses, when they are required to attend classes and sit examinations. Some home students accept places at institutions that

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are too far from home for them to travel on a daily basis. Others choose not to live in their family home because they wish to live independently.

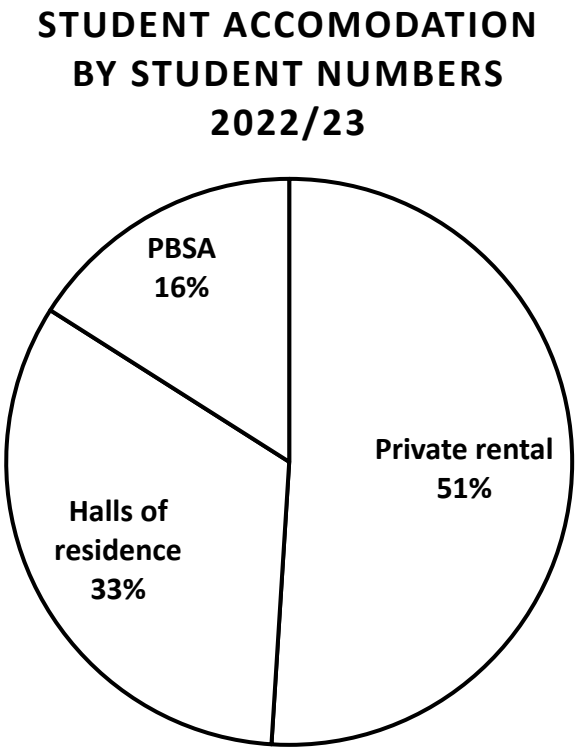
Overseas students must arrange suitable accommodation for the duration of the 1st and 2nd semesters of each academic year of their courses.

Most students who require accommodation do so by renting suitable accommodation for the academic year, taking residence in September before classes start and leaving after their examinations in April. Many home students return to their family homes for the summer vacation, or they take the opportunity to travel. Most overseas students return to their home countries to spend the summer vacation with their families.

Student rental agreements usually terminate at the end of the 2nd semester. Students who wish to remain close to their institutions during the summer vacation will often have to move to alternative accommodation for that period.

Student accommodation can take a number of forms:

- Halls of residence
- Private rentals
- PBSA (purpose-built student accommodation)



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Halls of residence

Most institutions have their own student accommodation that is available for rent. This is often situated on campus, or it may be on a separate site that is within convenient travelling distance.



Students staying in halls are usually provided with a single, furnished room, with a bed, a desk and storage space. Students share bathrooms and kitchens.

The accommodation is basic, but students are reassured by the fact that they are renting from their college or university. Demand for places in halls usually exceeds the number of available places. Many institutions give first-year students priority in booking places in halls.

Private rentals



Most large towns and cities have several colleges and universities and so there is a constant demand for student accommodation. Some landlords specialise in the student rental market, preferring to rent flats to students rather than to more permanent tenants. Many cities have "student areas" that comprise residential areas that have a substantial student population during the academic year.

Private rentals usually consist of flats with up to three furnished bedrooms. Those flats are typically occupied by several students at once, with each contributing a share of the rent. These students may be friends who set out to rent a flat together, or they may simply have agreed to rent a flat as a group. Students will have their own rooms and will share the flat's kitchen, bathroom and living room.

Most institutions offer a student accommodation service that can assist students to find private accommodation. Landlords can publicise the availability of their private rental properties and students can advertise for flatmates who wish to share the rent of a flat. Accommodation services also advise students on practical matters, such as checking the terms in a rental agreement and assist with legal matters such as managing disputes with landlords.

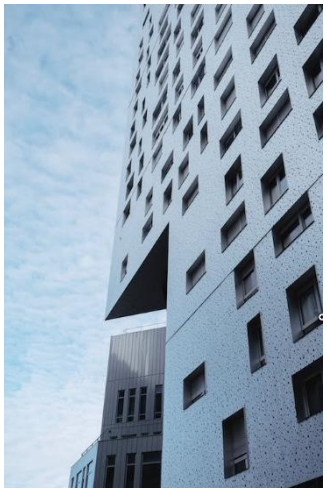
Towland has very strict health and safety laws in place in relation to private rentals, particularly when properties are rented by more than two tenants. Gas and water supplies must be checked regularly and fire alarms and other safety devices must be present and operational. Safety checks are also required for any portable electrical equipment, such as fridges.

Private rentals are often more expensive than places in halls of residence, but they usually offer larger rooms than are available in halls. They are also more likely to be located in areas where students socialise.

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PBSA (purpose-built student accommodation)

PBSA is a relatively recent development in the market for student accommodation.



Commercial organisations construct buildings that are specifically designed for the student market. Typically, most of the floors in each building are subdivided into a large number of flats. Each flat consists of a communal living space and 6-8 single bedrooms. The communal spaces are equipped for students to cook and eat their meals and to socialise. The bedrooms provide private spaces where students can sleep and study.

PBSA operators are independent of the institutions whose students they wish to attract. They do, however, have complementary activities. PBSA operators seek to attract students from institutions close to their buildings. Institutions use the availability of nearby accommodation to attract students to their courses. Overseas students are particularly interested in the availability of suitable accommodation because they will be moving to a foreign city that they might not visit until the start of their courses.

Institutions' websites often refer to the availability of good quality accommodation close to campus and may provide links to the websites of PBSAs in the vicinity. PBSAs' websites may list the institutions that are within, say, a 20-minute walk from each of their buildings.

PBSA buildings are generally as secure as halls of residence and are likely to be more secure than private rentals. Entrances are staffed by concierges working in shifts on a 24/7 basis. The concierges check the credentials of everyone who enters their buildings. They also monitor feeds from security cameras and safety systems, such as fire alarms.

PBSAs employ cleaning staff to keep the public areas of their buildings clean and tidy. They also employ local contractors to maintain their buildings, both public spaces and the flats.



PBSA buildings offer facilities that make them attractive to students. All offer high-speed internet access, with strong Wi-Fi signals throughout their buildings. That is vital because students must be able to access social media, course materials and emails. Buildings can also offer amenities such as media rooms in which groups of residents can watch movies or sports events on a large screen with high-quality sound.

Government planning regulations restrict rentals of rooms in PBSA buildings to students. Operators are not permitted to rent rooms in PBSA buildings to non-students.

PBSA buildings are generally built within easy walking distance of at least one institution and possibly several. Some cities have a number of institutions located in and around their centres and so there may be several PBSA buildings within a relatively small area of any given town or city, with operators competing for tenants.

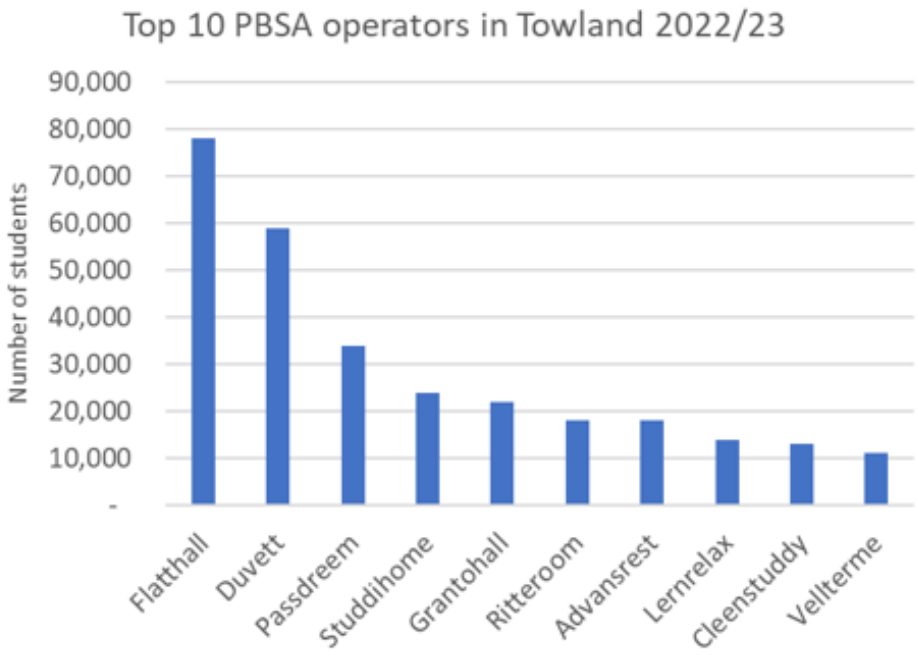


Some institutions are on the outskirts of towns and cities and may be served by PBSA buildings that are effectively dedicated to those institutions.

PBSA buildings in town and city centres are generally high-rise. These are attractive to operators because they can accommodate a large number of tenants within a given footprint.

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Flatthall built Towland's first PBSA building in 1995. There are now ten major PBSA operators in Towland:



These companies collectively provide accommodation for 16% of those students who do not live with their parents during the 1st and 2nd semesters of the academic year.

It can be difficult to compare halls of residence, private rentals and PBSAs since:

- Rents charged for halls of residence and PBSAs usually include utilities such as electricity and internet connections. Private rentals usually require students to pay separately for these utilities.
- Halls of residence are cheaper than private rentals and PBSA. Places in halls are generally filled long before the start of the academic year. Students are attracted by the convenience of living on or close to campus. Halls of residence are also generally safe and secure, with security wardens on site.
- PBSA is more expensive than halls of residence or private rentals, even after taking the cost of utilities into account. The buildings are usually more modern and better equipped than halls of residence. They are usually located close to campus. PBSA buildings are also safe and secure spaces. PBSA operators usually work to maintain good relationships with institutions' student accommodation services and that can prove reassuring in the event of a dispute with an operator because students can threaten to involve their institutions.
- Private rentals vary significantly in quality. Properties may be old and may have been converted from family homes into living spaces for occupation by small groups of students. Some landlords are greedy and unwilling to invest in maintaining their properties. Towlandian law requires landlords to meet basic safety regulations, but private rental properties are unlikely ever to be as safe and secure as halls of residence or PBSA buildings.
- Students generally arrange accommodation for the forthcoming academic year during the summer vacation. Places in halls of residence and PBSA are usually taken first. Many students are forced to take places in private rentals because all alternatives are

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taken, although some students prefer private rentals because they wish to share with friends, or they may have jobs to fund their studies and wish to live close to work.

Company background

Flatthall was founded in 1994 by a property developer who commissioned the design and construction of Towland's first PBSA block on a site close to Central City Metropolitan University. The building was ready for occupation in time for the start of the 1995/96 academic year and every room was taken within days of the commencement of trading.

Flatthall built five further properties in Central City over the next year and demand for places increased even further. Feedback indicated that students enjoyed the quality of the accommodation that was being offered. Flatthall's buildings were newly built and freshly decorated, making them more attractive than typical institutional halls of residence or private rental properties.

The company grew steadily, adding more buildings across Towland. It now owns 174 buildings that can accommodate a total of 78,000 students.

Flatthall was listed on the Towland stock exchange in 2002. The property developer who founded the company no longer owns any shares in the company.

Flatthall competes with other PBSA providers on the basis of quality of service and promotion. There is very little difference between the rents charged by different PBSA providers. There is no need to compete by reducing rents because all places are filled well before the start of the academic year. Providers could possibly charge more, but that would lead to accusations of overcharging and could damage relationships with the student accommodation services at local institutions. Rents do vary between cities, in line with local demand. For example, renting a room in a PBSA block in Capital City is 20% more expensive than a similar room in Central City.

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Building operations

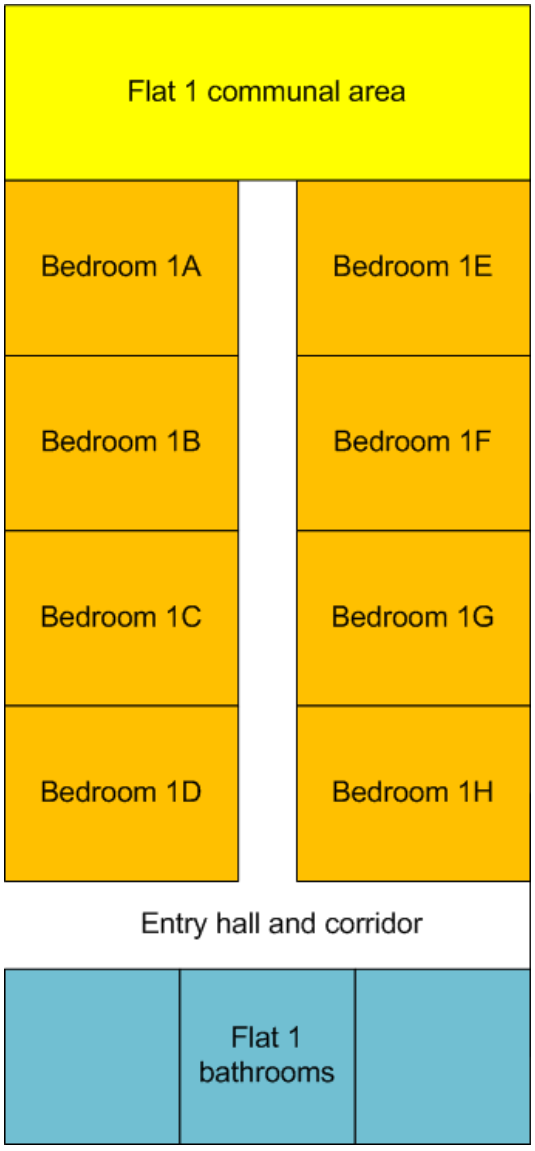
All of Flatthall's buildings are within 20 minutes travel from at least one institution's campus, based on walking distance or public transport. Flatthall pays close attention to the availability of potential sites for new buildings in towns and cities that have large student populations and will act quickly to purchase suitable sites before they can be acquired by competitors.



Flatthall's buildings are also located in districts that are attractive places for students to live. All are in areas that have low crime rates and have good access to areas where students can relax and enjoy themselves when they are not studying.

The buildings themselves are designed to be safe and attractive places to live and study. Each floor is divided into several flats, each of which usually has eight bedrooms. Each bedroom accommodates a single student and has sufficient space for a bed and a desk. Each flat has a communal area that has facilities for storing and cooking food and a lounge area. Each flat also has three shared bathrooms.

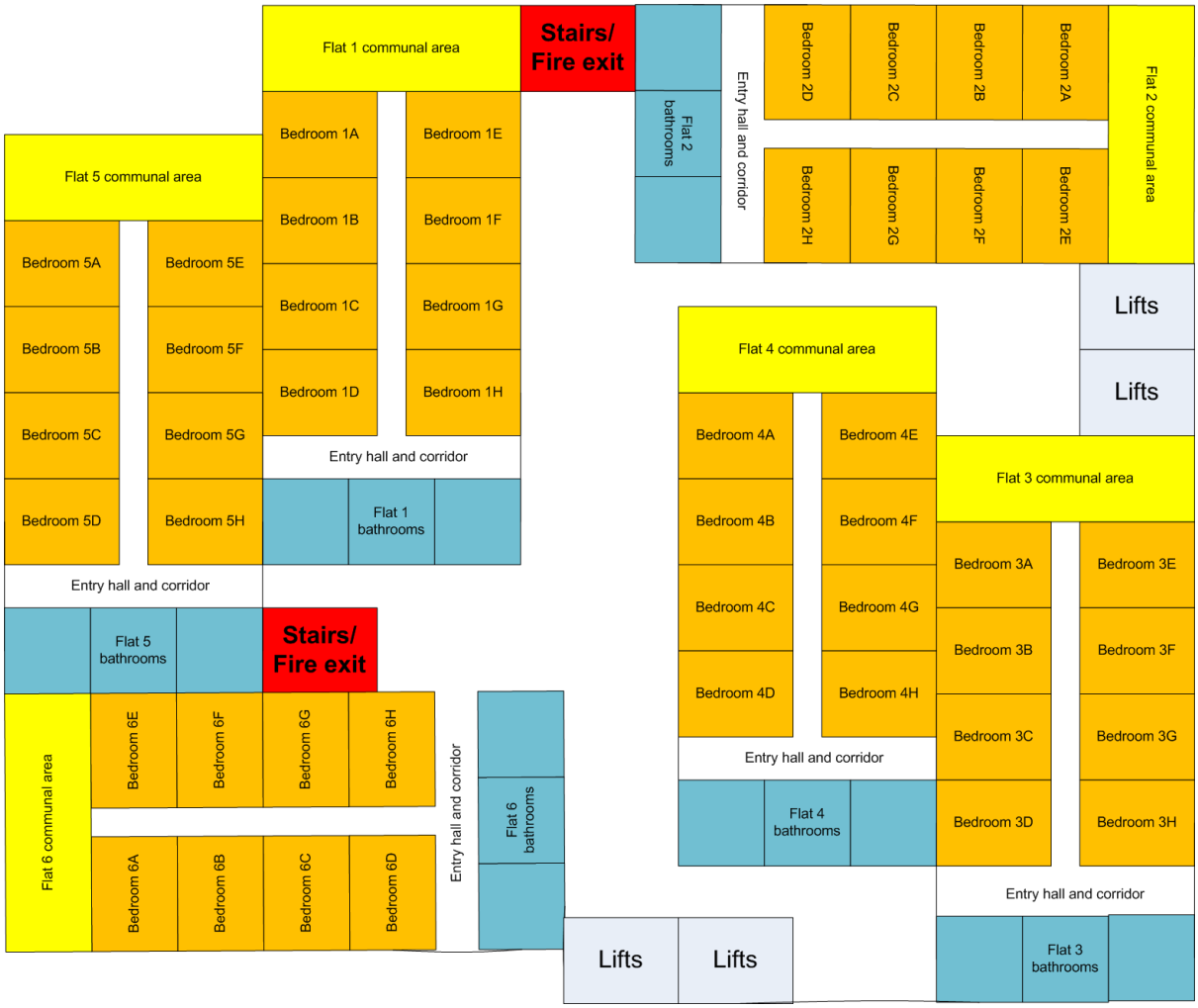
A typical flat is laid out as follows:



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Each of the accommodation floors in Flatthall's buildings is subdivided into several flats, which allows for an efficient use of space. The following example shows the layout of an accommodation floor in one of Flatthall's buildings. This building has six flats on each accommodation floor and eight bedrooms in each flat, which means that each floor can accommodate 48 students.

This building has 10 floors for accommodation, which means that it can accommodate 480 students. In this building, the ground floor has a reception desk and a large laundry room. There is one further floor at the top of the building that has a large public space that can be used for social events, including parties and cultural events, such as buffet meals cooked by students from different countries.



Buildings have fully equipped laundry rooms with automatic washing machines and dryers. These are for the exclusive use of students staying in the buildings. The machines are equipped with card readers that enable students to pay for the use of these facilities using their credit or debit cards.



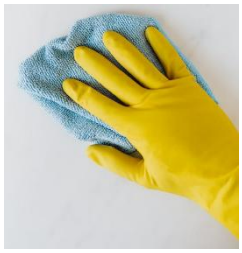
Flatthall's buildings are kept secure to protect residents and their property. Access is restricted by key cards. Each building has a single main entrance that can only be opened by a key card belonging to a resident or a member of staff. Students' cards can also open the doors of their flats and their own bedrooms.

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Each building has a team of concierges that works in shifts to ensure that at least one is on duty at any given time. Their primary role is safety and security. Concierges staff the reception desk at the building's main door, enabling them to monitor all arrivals. Apart from security, the concierges act as a point of contact for students. For example, students can report maintenance problems to a concierge, who will then organise a repair.

The concierges are responsible for enforcing rules relating to residents' behaviour. Concierges will deal with unsociable behaviour, such as playing loud music.

Flatthall employs cleaners at each of its buildings. They clean all public areas, such as the reception area and corridors. They also clean the communal areas in flats, including shower rooms and cooking areas. Students are required to keep their own rooms clean and tidy during their stay.



Flatthall employs independent contractors to deal with repairs and maintenance in its buildings. The company has approved contractors covering all major trades, such as plumbing, electrical work and decorating.

Rental agreements terminate at the end of the 2nd semester, at which time students move out. Flatthall's buildings are vacant during the summer vacation each year. Each building is given a thorough clean during that time. The interiors of the buildings are also redecorated so that they are fresh and inviting for students. This attention to detail is one of the factors that enables Flatthall to compete with rival PBSA providers.

Promoting Flatthall

Flatthall's website enables students to search for vacant rooms on the basis of location and institution. A student who is considering taking a place at, say, Grandtoun University will be able to check whether there are any rooms available in the city.



The website provides further information about the buildings, including photographs of the public areas, the communal areas in the flats and the bedrooms. These photographs are supplemented by video tours that enable students to experience the illusion of walking through the building.

Students can reserve rooms online, with an initial payment to secure their rooms. Reservations require evidence of an offer of a place in a nearby institution, such as a letter from a college or university. Flatthall will refund any initial payments for students whose places are withdrawn or cannot be taken up for some unavoidable reason. Students who fail resit exams and so cannot continue their studies, or overseas students who are unable to obtain visas to study in Towland, will usually be eligible for a refund.

Most institutions organise "freshers' fairs" for first-year students immediately before the start of the academic year. These are used to publicise a wide range of student clubs and societies and also commercial products, such as student bank accounts. Flatthall always has a stand at each institution's fair, staffed by students who have previously rented a room from the company.

Each of Flatthall's buildings has a number of "open days" at the end of the summer vacation, after the completion of the cleaning and redecoration. Small groups of potential student residents are given guided tours under the supervision of returning students who have previously stayed in a Flatthall property. This is an opportunity to see the buildings and to ask questions.

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Flatthall pays a generous hourly rate to students who assist with freshers' fairs and guided tours. It also pays a commission to students who recommend Flatthall to friends who subsequently complete a rental agreement. The company aims to maintain an excellent relationship with students in order to encourage repeat bookings and maintain a positive reputation.

Flatthall's Head Office

The company's Board of Directors, senior management and supervisory and administrative support staff are based in Flatthall's Head Office.

Property Portfolio Management	Flatthall is constantly searching for land and buildings that can be repurposed as student accommodation. Many of its buildings were constructed on city-centre sites that had previously been used for offices or shops. In most cases, the original buildings were demolished and their sites were used for Flatthall's PBSA buildings. A minority of buildings were converted from offices into PBSA.
	
	Flatthall's Property Portfolio Management team has considerable specialist expertise:
	
	• There are strict statutory safety requirements governing rental properties that have multiple occupants. These include strict fire safety requirements such as the installation of fire alarm systems, which must be tested regularly, and the provision of fire exits and sprinkler systems.
	
	• Planning permission can be difficult to obtain, especially when buildings will change the way in which a space in a town or city centre will be used. Flatthall has strong relationships with architects who specialise in designing buildings for sensitive sites and with lawyers who are experienced in applying for planning permission.
	
	• Flatthall must ensure that it meets all of the building regulations that are set by both Towland's national government and local town and city councils.
	
	  ○ The national government is responsible for setting regulations that are primarily focussed on safety. For example, PBSA buildings such as Flatthall's must meet extensive fire safety regulations, including fire alarms and emergency exits. Different categories of buildings have different regulations, but the rules for each category are the same across the country.
	
	  ○ Town and city councils are elected by their local populations. Some of those elected councillors serve on a planning committee that reviews requests to construct or modify buildings within the town or city and has the power to approve or refuse those requests. Planning committees take local priorities into account when deciding whether to approve a new building. For example, a new office building might attract additional traffic to an already congested part of the city or its design might be out of character with the existing buildings in its proposed location.

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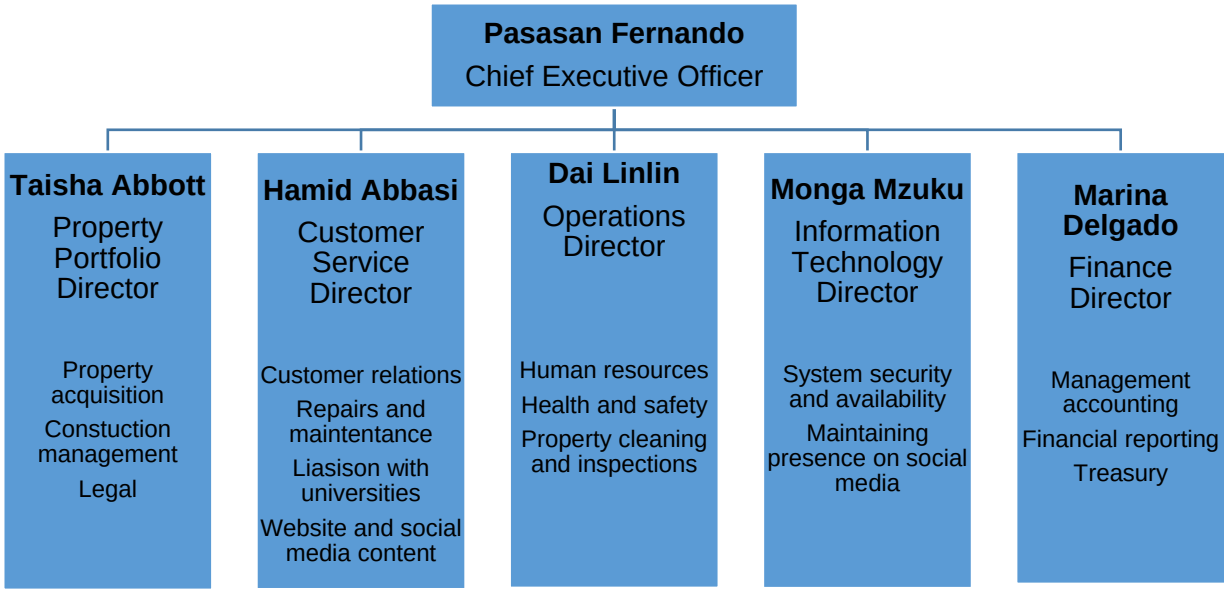
Customer Service	Flatthall aims to provide students with excellent customer service. Unhappy students often post negative comments on social media and those comments can discourage potential tenants who search online for information concerning Flatthall. Students are encouraged to report any problems to their buildings' concierge teams or to email the Customer Service team at Head Office. The company aims to rectify any legitimate concerns as quickly as possible and to keep students informed in the process. For example, if the oven in a flat is not working properly, then Flatthall will arrange to have it repaired or replaced within 24 hours. Concierges have lists of local contractors and are authorised to contact them directly for minor repairs. Larger problems must be reported to Customer Service, who can authorise major repairs. The Customer Service staff have an extensive database of contractors that includes specialists in a wide variety of trades. Customer Service staff also maintain good working relationships with college and university student accommodation services. Customer Service makes regular contact with the head of student accommodation at each institution in order to check whether there are any issues that need to be addressed. If any problems are reported, then those are addressed and feedback is provided to the institution. If students report any complaints to their student accommodation services, then Customer Service takes particular care to ensure that the complaints are investigated and resolved as quickly as possible. Customer Service is responsible for providing content for Flatthall's web pages and social media posts.
Operations	The only full-time staff in Flatthall's residential buildings are the concierges and the cleaners. Those staff are supervised and supported remotely by Operations: • Operations deals with all human resources (HR) matters, including staff appraisals, staff discipline and appointments. Most meetings, including job interviews, are carried out remotely by means of video calls. When necessary, Operations staff will travel to buildings to carry out checks and inspections and to meet with local staff. • Operations has an emergency contact centre that is staffed on a 24/7 basis. Any member of concierge or cleaning staff can report emergencies by telephone or email. The contact centre also receives automatic reports of any fire alarms. The contact centre can ensure that the appropriate emergency services are notified of any problems, leaving the concierges free to advise and assist students. Operations staff from Head Office conduct regular visits to Flatthall's PBSA buildings. These involve inspections to check that buildings are being properly cleaned and maintained. Visiting staff also talk to students in order to establish whether they are satisfied with their accommodation and the quality of service that they are receiving. Operations is also responsible for recruiting students to attend open days and freshers' fairs.

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Information Technology (IT)	Flatthall depends on IT in order to do business. Students use the photographs, videos and virtual tours on Flatthall's website to evaluate the different buildings that are located within travelling distance of the institution where they plan to study. The IT staff must ensure that the company's website is up to date and available at all times, otherwise Flatthall could lose business. Once students have chosen a building, then all business is conducted online, including the provision of a contract and payment of rent. Flatthall's IT staff work hard to ensure that the company's systems are available at all times and are secure. IT also monitors social media, looking for posts relating to Flatthall. It is important for the company to be aware of any negative comments that are posted online because they could discourage future rentals, even if the criticisms are unfounded.
Finance	Finance manages Flatthall's bookkeeping, accounting and treasury activities. One important role is the collection of student rents. Students pay monthly in advance for their rooms. Finance collects all payments by automated direct debits from students' bank accounts. That involves some credit control activities when collections fail due to students having insufficient funds in their accounts. Finance is also responsible for managing student deposits. The company takes a security deposit equal to a month's rent from each student when they sign their rental agreements. That deposit is returned on departure, with deductions for any loss or damage to rooms and their furnishings that occur during students' stays. Concierges conduct room inspections when students are leaving and they inform Finance of any problems that they encounter.

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Flatthall's Board structure



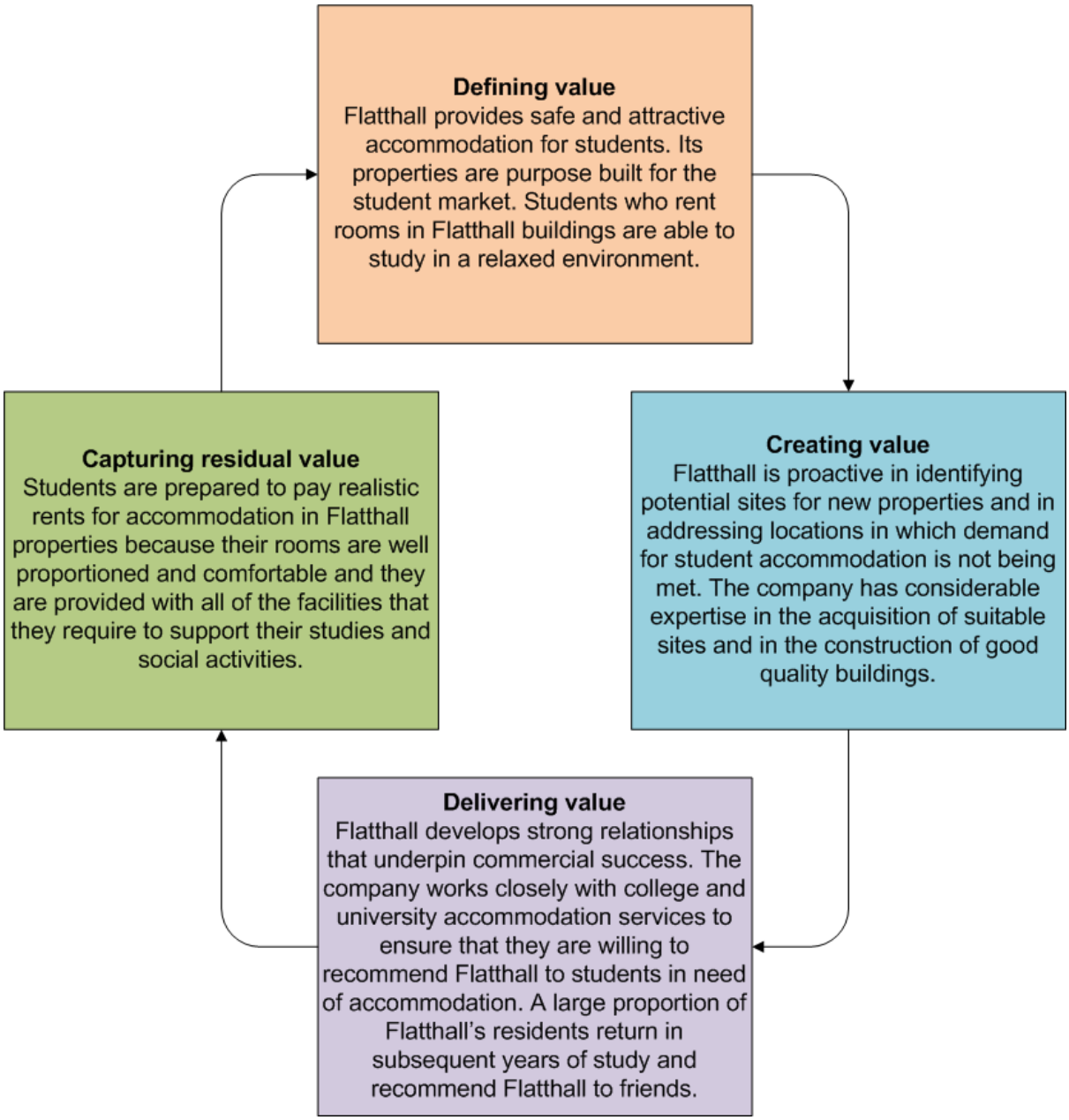
Flatthall's Board also includes the following non-executive directors:

- Per Thomas Andersen – non-executive chair
- Sahar Ismail Mohamed
- Andrew Menzies
- Sema Yildirim
- Noam Shoked

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Flatthall's business model

Flatthall aims to grow steadily through the acquisition of new buildings that will enable it to remain the market leader in PBSA in Towland. A commitment to quality enables Flatthall to maintain a strong brand that attracts students and enables the company to develop relationships with academic institutions.



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Extracts from Flatthall's annual report

Flatthall Group
Consolidated statement of profit or loss for the year ended 31 August

	2024 T$ million	2023 T$ million
Revenue	735.1	635.9
Cost of revenues	(119.5)	(89.0)
Gross profit	615.6	546.9
Operating expenses	(54.8)	(89.0)
Operating profit	560.8	457.9
Finance costs	(224.0)	(176.0)
Profit before tax	336.8	281.9
Tax	(40.4)	(33.8)
Profit for year	296.4	248.1

Flatthall Group
Consolidated statement of changes in equity for the year ended 31 August 2024

	Share capital and premium T$ million	Retained earnings T$ million	Total T$ million
Balance at 31 August 2023	250.0	6,900.2	7,150.2
Profit for the year		296.4	296.4
Dividends		(108.9)	(108.9)
Balance at 31 August 2024	250.0	7,087.7	7,337.7

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Flatthall Group

Consolidated statement of financial position as at 31 August

	2024 T$ million	2023 T$ million
Non-current assets		
Intangible assets	270.3	270.3
Property, plant and equipment	9,960.1	9,140.2
	10,230.4	9,410.5
Current assets		
Inventory	2.1	1.9
Trade and other receivables	41.2	53.4
Bank	27.3	24.6
	70.6	79.9
Total assets	10,301.0	9,490.4
Equity		
Share capital and share premium	250.0	250.0
Retained earnings	7,087.7	6,900.2
	7,337.7	7,150.2
Non-current liabilities		
Loans	2,800.0	2,200.0
Current liabilities		
Trade and other payables	125.6	108.5
Tax	37.7	31.7
	163.3	140.2
Total equity and liabilities	10,301.0	9,490.4

Trade and other payables include students' deposits and advance rentals.

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Sustainability

Governance	Flatthall's Board is committed to ensuring that the Group operates in a sustainable and responsible manner. • Flatthall's social and environmental performance is included in the agenda of all regular board meetings. • The Board commissions regular reviews of Flatthall's environmental impact.
Strategy	Flatthall works with stakeholders, including suppliers and universities, to address concerns relating to sustainability. For example, Flatthall's preferred energy suppliers generate electricity from renewable sources such as wind power. Architects working on the design of new buildings are required to brief the Board on the sustainability issues arising from design choices. Flatthall collaborates with universities in setting acceptable sustainability targets. That often simplifies the process of persuading local universities to include their local Flatthall residences in their lists of recommended accommodation providers. Flatthall is committed to being net zero carbon by 2029.
Risk management	Many students take an active interest in protecting and preserving the environment and so Flatthall could be at risk of a significant loss of revenue if it was perceived as offering accommodation that was not managed in an environmentally responsible manner. Flatthall addresses those concerns by installing energy-efficient appliances in all of its properties, reducing energy consumption through efficient insulation and using electronic communications to avoid the use of paper. Flatthall evaluates potential climate-related risks. These are primarily associated with the financial implications of migration to net zero. For example, the cost of electricity from renewable sources could increase in price if demand for such electricity exceeds supply.
Metrics	Flatthall tracks emissions in terms of CO_2e (carbon dioxide equivalents). During the year ended 31 August 2024, the emissions amounted to 0.21 tonnes of CO_2e per student bed. During the same period, Flatthall consumed 804 kWh/student bed of natural gas for heating and 1,980 kWh/student bed of electricity.

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Extract from Duvett's annual report

Duvett is a direct competitor of Flatthall, with PBSA blocks in most of the towns and cities in which Flatthall operates.

Duvet Group
Consolidated statement of profit or loss for the year ended 31 August

	2024 T$ million	2023 T$ million
Revenue	546.6	459.1
Cost of revenues	(98.4)	(73.5)
Gross profit	448.2	385.6
Operating expenses	(46.5)	(37.6)
Operating profit	401.7	348.0
Finance costs	(234.0)	(171.0)
Profit before tax	167.7	177.0
Tax	(20.1)	(21.2)
Profit for year	147.6	155.8

Duvet Group
Consolidated statement of changes in equity for the year ended 31 August 2024

	Share capital and premium T$ million	Retained earnings T$ million	Total T$ million
Balance at 31 August 2023	200.0	4,503.0	4,703.0
Profit for the year		147.6	147.6
Dividends		(58.4)	(58.4)
Balance at 31 August 2024	200.0	4,592.2	4,792.2

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Duvett Group
Consolidated statement of financial position as at 31 August

	2024 T$ million	2023 T$ million
Non-current assets		
Intangible assets	120.0	120.0
Property, plant and equipment	7,321.1	6,522.3
	7,441.1	6,642.3
Current assets		
Inventory	1.6	1.2
Trade and other receivables	30.1	23.4
Bank	24.8	19.9
	56.5	44.5
Total assets	7,497.6	6,686.8
Equity		
Share capital and share premium	200.0	200.0
Retained earnings	4,592.2	4,503.0
	4,792.2	4,703.0
Non-current liabilities		
Loans	2,600.0	1,900.0
Current liabilities		
Trade and other payables	87.5	64.3
Tax	17.9	19.5
	105.4	83.8
Total equity and liabilities	7,497.6	6,686.8

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News Reports

Towland Daily Informer

Education | Business | Politics | Science | World | Weather

Failing universities urged to improve completion rates



Towland's Minister for Education has expressed concern at the poor completion rates for degree courses at many of the country's colleges and universities. Completion rates reflect the percentage of students who enrol on a degree course and subsequently graduate.

The average completion rate across all of Towland's degree awarding institutions is 78%. There is, however, a significant variation between institutions. The top 10 achieve a completion rate of 97% or more, while completion rate at the bottom 10 ranges from 68% to 72%.

There are many reasons for failure to complete. Students may withdraw because of financial difficulties or because of poor academic performance. The Minister expressed concern that the disparity in completion rates suggests that some institutions were less capable than others of providing the support and encouragement required to enable a student to graduate.

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Towland Daily News

Culture | Business | Politics | Science | World | Weather

Motoring column – Graydcarr Hatcho, perfect if you have a student in the family



I had been dreading having to write a review of the Graydcarr Hatcho. I like to tell readers about what makes a car fun to drive. Everything that I had read about the Hatcho led me to expect a very boring week, test driving a car that was slow and ugly.

Then I remembered …

Almost exactly a year ago, I had to drive 300 kilometres to collect my daughter from college at the start of her long summer vacation and then 300 kilometres home with my daughter sulking because I had been unable to find space for all of her possessions in the boot of my Troncarr 2000, even with the back seats folded down. She had to throw a lot of her things away in order to create enough space for us in the car. Even then, she had to sit with a box of clothes on her lap for the duration of the journey.

This year, I used the Hatcho to drive the same 300 kilometres to my daughter's student flat. I kept thinking "why do students have so many possessions?". I was right to be worried because this year was worse than last year. She had bought herself a television to go along with a large pile of books and a much larger pile of clothes.

To my surprise, her stuff just fitted into the car in the most boring way imaginable. But boring in a good way. The Hatcho's rear seats folded flat to the floor, leaving a truly cavernous load space. After that, everything just fitted without any drama. Even the television, the large monitor for her laptop and her sports equipment.

Driving the Hatcho is one of the least interesting things that I have ever done, but if you have a student in the family, then I promise that you will have great fun loading your offspring's possessions into it.

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Towland Daily News

Culture | **Business** | **Politics** | **Science** | **World** | **Weather**

Don’t be afraid to knock down a few walls when you remodel your home



Homeowners often feel that their homes feel cramped because the rooms are too small. Fortunately, the layouts of modern homes can be changed simply by removing or relocating interior walls.

One popular conversion is to remove the walls separating the kitchen from the dining room in order to create a single space that feels bright and airy.

There is, of course, a need to obtain expert advice before remodelling a property. Some walls are load-bearing, which means that they support structures such as the roof and the upper floors. Removing a load bearing wall requires substantial and expensive building work to ensure that the property’s structure remains safe and secure. Other walls are not load-bearing and simply separate the property into separate rooms. Those can be removed or relocated without risk. An architect, builder or structural engineer can identify load-bearing walls and homeowners should take professional advice before embarking on any work.

There are further considerations beyond the walls themselves. Alterations could require changes to electrical wiring and plumbing. That is particularly true when adding bathrooms, perhaps by adding a private ensuite bathroom to the primary bedroom.

Remember that creating larger rooms requires space to be taken from elsewhere within the property. Moving a wall may make one room larger, but at the cost of making the room on the other side of the wall smaller. Removing walls altogether creates larger rooms, but there may be fewer rooms. Remodelling a four-bedroom house so that it has three larger bedrooms could reduce the house’s market value.

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Extracts from Jess the student's Blog

Another new year



It's the start of a new academic year. This will be my third and final year before I graduate. I will be staying in one of those shiny tower blocks that have sprung up round the campus. It's expensive, but it's designed for student life. I have my own room, which opens onto a communal area that I share with seven others. We have a kitchen and two bathrooms and a space where we can sit and chat if we wish. The Wi-Fi is nice and fast. And everything seems new, even though the building is more than 2 years old. They must redecorate it every year, just before the start of the first semester.

Anyway, here's to a successful year!

COMMENTS

Well said Jess. I hope that you enjoy your new accommodation. Good luck with the year ahead.

Undergrad Lad

I stayed in one of those flats last year and loved it so much that I have rebooked for this year.

Marcie

Saving the planet, one newspaper at a time



I have settled into my new accommodation and I have got to know my new flatmates, none of whom I had met before. I was a little surprised to learn that many of them chose to live in this block because of its small carbon footprint and excellent energy efficiency. I thought that I was the only one who took sustainability into account when deciding where to live this year.

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My flatmates and I have agreed that we will all behave in a sustainable manner. We will drink tap water instead of bottled (we checked, the tap water here is safe). We will also take care to separate any garbage between the relevant recycling bins so that nothing goes to waste. My newspaper was the first object that we set aside for recycling!

COMMENTS

You are not that unusual. Lots of students are committed to protecting the environment. I stayed in a university residence in my first year, but the building was old and required a lot of energy to keep it warm. I chose a much more sustainable PBSA residence for my second year.

Green Gordon

You buy a newspaper? If you really cared about the environment you would subscribe to the newspaper's app and read it online!

Charlie

How do you get coffee stains out of a new carpet?



I've only been here for a week and I have managed to spill a mug of coffee on the new carpet in my student accommodation. I tried to mop it up as much as I could, but there is still a definite stain.

I bought a cheap rug to hide the marks, but that is only a temporary solution.

How can I clean the carpet? I paid a month's rent as a security deposit and the company will deduct the cost of any damage when I vacate the room at the end of the academic year.

COMMENTS

You might have left it a bit late. It would have been easier to remove the stain when it was still damp.

It would still be worth trying to get the stain out by dabbing it with a mixture of dishwashing detergent and warm water. Remember to dab only because rubbing could spread the stain and make it even bigger.

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A lot of fuss about nothing



My cousin plans to visit me next month, so I asked one of the concierges in my building if she could share my room for a few days. I was told that it just wouldn't be possible because of city planning regulations.

The company that owns my building had to seek planning permission from the City Council to convert the building into student flats. That permission was granted on the understanding that the building would be rented out to students and would not be used for any other purpose. My cousin isn't a student, she works in a bank. If she stays in my room, then the building's owners will be in breach of planning regulations.

I was tempted to smuggle my cousin into the building and have her stay without permission. That wouldn't work, though, because the reception desk is staffed 24/7 and visitors must be signed in and out and must leave the premises by 22:00. She will just have to stay in a hotel.

COMMENTS

Planning regulations are strict. Every city has its own local government of elected councillors. Some councillors serve as members of the city's planning committee, which sets policies for planning and construction matters. Each city also has a planning department, comprising officials who are responsible for reviewing and enforcing planning regulations.

The councillors on the planning committee focus on the impact that new buildings might have on the city. For example, would its design complement existing developments? They also take account of things like the economic benefits, such as the ability of new shops to attract visitors and generate wealth.

The planning department's inspectors check that buildings comply with planning regulations, including any conditions set by the planning committee, but also ensuring that the plans meet health and safety regulations and other legal requirements.

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When the planning application for your building was first submitted, the builder would have specified everything from the building's purpose to the colour of its window frames. Any deviation from that submission could lead to severe penalties, unless permission is granted. I am not surprised that the concierge won't risk letting you breach planning regulations.

Legal Eagle

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Management Case Study - Candidate Name

This examination is structured as follows:

TASK	Time for task (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) 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).

Susanna Leong, Flatthall's Senior Financial Manager, stops by your workspace:

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

This is disappointing because our business model states that 'Flatthall is proactive in identifying potential sites for new buildings and in addressing locations in which demand for student accommodation is not being met. The company has considerable expertise in the acquisition of suitable sites and in the construction of good quality buildings.'

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

- Firstly, evaluate the usefulness of Flatthall's business model in appealing against the Planning Committee's rejection of our application.

[sub-task (a) = 40%]

- Secondly, evaluate the main upside and downside risks associated with appealing against the Planning Committee's rejection of our planning application in Elder City."

[sub-task (b) = 60%]

Towland Daily Informer

Controversy over new student accommodation



An application for permission to build new student accommodation in the centre of Elder City has been rejected by Elder City Council, despite support from Elder City University.

Flatthall, the student accommodation provider, wishes to build a nine-story building in the city centre, within a short walk of Elder City University's campus. The building would replace a shopping mall that is due to be demolished.

The proposed new building would provide accommodation for 400 students. The University supports the proposal because there is a shortage of suitable student accommodation in the city.

Councillor Mark Lee, the convener of Elder City Council's Planning Committee, announced the rejection of Flatthall's application, citing concerns that the high-rise block would look out of place amongst the traditional architecture in the city centre.

Management Case Study - Candidate Name

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

Paragraph

Word Count : 0

End Exam | Previous | Next

Two weeks later, you receive the following email:

From: Susanna Leong, Senior Financial Manager
To: Financial Manager
Subject: Planning application in Elder City

Hi,

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

I will be meeting with the Finance Director later today and I need your advice on two matters arising from this extract:

- Firstly, recommend with reasons the membership of the project team. I believe that the team should comprise a maximum of four individuals, including the team leader.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the types of information that the project team should submit to the Board in its weekly progress reports.

[sub-task (b) = 60%]

Regards

Susanna

Extract from minutes of Board meeting
Planning application in Elder City

Taisha Abbott, Property Portfolio Director, proposed that a project team should be established to lobby against the decision by the Elder City Council's Planning Committee to refuse permission to build a nine-story building in the city centre, within walking distance of Elder City University's campus.

Ms Abbott recommended that the project team should report directly to the Board on a weekly basis and that it should comprise senior managers employed by Flatthall, supported by third-party consultants as required.

Ms Abbott proposed that the project team should be given a 4-month deadline to persuade the Planning Committee to reverse its decision. The project will be abandoned if the team does not succeed within that deadline.

Management Case Study - Candidate Name

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

From: Financial Manager
To: Susanna Leong, Senior Financial Manager
Subject: RE: Planning application in Elder City

Paragraph

Word Count : 0

End Exam | Previous | Next

Two months later, at the end of July 2024, Flatthall has obtained permission to build student accommodation in the centre of Elder City.

You receive an email:

From: Susanna Leong, Senior Financial Manager
To: Financial Manager
Subject: FWD: Building in Elder City

Hi,

I have forwarded an email that I received from Marina Delgado. I need your advice on two matters before I reply to her:

- Firstly, explain the likely impact of this project on Flatthall's gross profit %, return on capital employed and gearing ratios for the financial statements for the year ended 31 August 2025. I am looking for an explanation of whether the ratios will increase or decrease; I do not require the actual calculations.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the disclosures that Flatthall should make in its sustainability report in relation to its approach to demolition and construction projects on city centre sites.

[sub-task (b) = 60%]

Regards

Susanna

From: Marina Delgado, Finance Director
To: Susanna Leong, Senior Financial Manager
Subject: Building in Elder City

Hi Susanna,

The Board is keen to start construction on our new building in Elder City. This is going to be a difficult project for us because of the potential environmental impact of demolishing the existing building and erecting its replacement in a busy city centre site. Our architects are working on the plans.

This is going to be our most expensive building. It will cost a total of T$360 million to purchase the site and construct our building. That cost will have to be written off over 20 years because there is a possibility that the University of Elder City will relocate.

The Board plans to take out a T$20 million bank loan immediately in order to enable us to get started. The remaining T$340 million will be borrowed in October 2024. Construction will commence in September 2024 and will be completed by 31 August 2025, ready for occupation by the start of the University of Elder City's academic year.

Regards

Marina

Management Case Study - Candidate Name

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

From: Financial Manager
To: Susanna Leong, Senior Financial Manager
Subject: FWD: RE: Building in Elder City

Paragraph

Word Count : 0

End Exam | Previous | Next

Two months later, you receive the following email:

From: Susanna Leong, Senior Financial Manager
To: Financial Manager
Subject: Building work in Elder City

Hi,

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

I need your advice on two matters:

- Firstly, identify and evaluate the difficulties that the changes to the construction plan arising from the acquisition of the office building might create and recommend responses.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the matters that should be considered in deciding whether to retain the additional land in order to create an option to construct a second building.

[sub-task (b) = 60%]

Regards

Susanna

Extract from Board minutes
Building work in Elder City

Taisha Abbott, Property Portfolio Director, informed the Board that the start of construction work in Elder City will have to be delayed because it has been discovered that an adjacent office building's foundations are unsafe, creating the possibility that it will collapse during the demolition of the building that presently occupies Flatthall's construction site. Flatthall intends to complete construction in time to rent rooms for the academic year that will start in September 2025.

The quickest way to resolve this problem would be for Flatthall to buy the office building and demolish it. The office building's condition means that it can be purchased and demolished for a total cost of T$20 million and the Board has decided to do so.

Ms Abbott said that the acquisition of this additional land will require some changes to the design of Flatthall's accommodation block.

Flatthall's new building will have room for 400 students. The acquisition and demolition of the office building will mean that Flatthall owns an additional piece of land that would be large enough for a second building of the same size. Alternatively, Flatthall could resell the additional land to a third party for T$25 million, who could use it to build shops or offices.

Management Case Study - Candidate Name

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

From: Financial Manager
To: Susanna Leong, Senior Financial Manager
Subject: RE: Building work in Elder City

Paragraph

Word Count : 0

End Exam | Previous | Next

Management Case Study - Candidate Name

This examination is structured as follows:

Task	Time for task (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) 40% (b) 60%

Each 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).

Susanna Leong, Flatthall's 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 Marina Delgado, our Finance Director:

- Firstly, evaluate the difficulties associated with understanding the ecosystem for the Build to Rent (BTR) market.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the appropriate treatment of the professional fees described in the proposal in Flatthall's financial statements."

[sub-task (b) = 40%]

Proposal to enter the Build to Rent (BTR) market
Prepared by Antonis Baldoukas, Senior Property Portfolio Manager

All of Flatthall's existing buildings are used for student accommodation. The Property Portfolio Department believes that there could be potential demand from alternative markets for the type of accommodation that Flatthall provides. For example, many young people have low paid jobs in city-centre shops and offices and would be keen to rent rooms in buildings similar to Flatthall's. That would enable them to afford accommodation in modern and attractive buildings within walking distance of work.

At present, there is very little inexpensive accommodation in city centres for non-students.

If Flatthall wishes to rent rooms to non-students, then it will have to build new properties specifically for that market:

- Towland's fire and health and safety regulations are stricter for buildings intended for long-term occupation by non-students. It would be extremely expensive to convert Flatthall's existing buildings to make them fully compliant with those stricter regulations.
- Planning regulations forbid Flatthall from renting its existing buildings to non-students, but it would be possible to obtain permission to construct new buildings designed for occupation by other categories of tenants.

The Property Portfolio Department recommends that Flatthall should explore this Build to Rent (BTR) market. In the first instance, we will have to:

- develop an understanding of the ecosystem for our vision of the BTR business: markets, competition, society and regulation.
- invest in professional fees to conduct surveys to identify suitable sites for BTR buildings and to create architect's plans and drawings that can be used to seek planning permission from planning departments.

Management Case Study - Candidate Name

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

Paragraph

Word Count : 0

End Exam | Previous | Next

A week later, you receive the following email:

From: Susanna Leong, Senior Financial Manager
To: Financial Manager
Subject: FWD: Build to Rent (BTR) proposal

Hi,

I have forwarded an email that I received from Marina Delgado.

I require your advice on two matters before I meet with Marina to discuss her email:

- Firstly, evaluate the difficulties associated with predicting the impact that the three events listed by the Finance Director will have on the net present value (NPV) of the investment in the first 10 BTR buildings and recommend with reasons potential responses.

[sub-task (a) = 60%]

- Secondly, evaluate the impact that the T$550 million loan will have on the interpretation of Flatthall's financial statements for the year ended 31 August 2024.

[sub-task (b) = 40%]

Regards

Susanna

From: Marina Delgado, Finance Director
To: Susanna Leong, Senior Financial Manager
Subject: Build to Rent (BTR) proposal

Hi Susanna,

The Board is considering a drastic course of action. We plan to start work in the next 6 months on the construction of our first 10 BTR buildings, to be built in different towns and cities across Towland. We are moving quickly because we have been offered a loan of T$550 million at a low interest rate that will be fixed for the next 20 years, even though many finance experts believe that interest rates will increase over the next 2 years.

Each of our new Build to Rent (BTR) buildings will have room for 400 tenants. We will focus our marketing activities on attracting young people who are in full-time employment in shops and offices within walking distance of our buildings.

The lender insists that we take the loan immediately, which means that we will have it in our statement of financial position as at 31 August 2024. We will not have to spend any of that money for at least 6 months, but we will be committed to proceeding with the BTR investments.

I am keen to consider the implications for Flatthall's BTR venture if the following events occur over the next 2 years, just as our BTR buildings are becoming ready for occupation:

- There is a significant decrease in the value of property across Towland.
- New safety regulations are introduced that require expensive and time-consuming modifications before the BTR buildings can be occupied by tenants.
- Employment law changes to require employers to grant office workers the right to work from home.

Regards

Marina

Management Case Study - Candidate Name

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

From: Financial Manager
To: Susanna Leong, Senior Financial Manager
Subject: FWD: RE: Build to Rent (BTR) proposal

Paragraph

Word Count : 0

End Exam | Previous | Next

A month later, Susanna Leong asks you to join her in a meeting room:

"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 Marina Delgado:

- Firstly, evaluate the potential usefulness of target costing for deciding on the nature of the rooms and the facilities that Flatthall will offer in its BTR properties.

[sub-task (a) = 60%]

- Secondly, recommend with reasons how the strategy and risk management sections of Flatthall's sustainability report should reflect the new BTR business."

[sub-task (b) = 40%]

Extract from Board minutes

Taisha Abbott, Property Portfolio Director, reported on the progress of the Build to Rent (BTR) venture. The Product Portfolio Department requires the Board to make decisions on some of the design issues associated with these new buildings.

The BTR accommodation will be similar to that of Flatthall's student accommodation. Each BTR resident will have a private bedroom and will share a communal area with five others. Each communal area will have a kitchen, a lounge and three shower rooms.

The Board will have to make some important decisions:

- How big should bedrooms and communal areas be? Residents would always prefer more space, but there is a cost in terms of the impact of this decision on the size of the building or the number of rooms that a building can contain.
- What amenities should be provided in flats? Electricity and Wi-Fi will be included in the price of rent, but more could be provided. Students in existing PBSA buildings often complain that Flatthall does not provide air conditioning in its student buildings, but providing air conditioning in BTR buildings would require additional capital expenditure and would increase the cost of electricity.
- What amenities should be provided in buildings? Existing student buildings include laundry rooms with washing machines and dryers and secure rooms in which bicycles can be stored. Again, these facilities require capital investment and increase operating costs.

Taisha Abbott also expressed concern that the BTR buildings will appear to be less sustainable than the company's existing PBSA buildings. The average emissions per student bed in Flatthall's PBSA buildings is 0.21 tonnes of CO2e per year. Flatthall's architects estimate emissions of 0.3 tonnes per tenant bed in BTR. The increase is due to the larger rooms, which require more energy to heat and light. The provision of air conditioning in BTR properties would increase emissions still further.

Management Case Study - Candidate Name

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

Paragraph

Word Count : 0

End Exam | Previous | Next

Two months later, you receive the following email:

From: Susanna Leong, Senior Financial Manager
To: Financial Manager
Subject: FWD: Design team

Hi,

I have forwarded a copy of an email that I received from Marina Delgado.

I need your advice on two matters before I reply to her.

- Firstly, recommend with reasons the leadership style that will be required for the senior manager who will be in charge of the proposed new investment centre.

[sub-task (a) = 40%]

- Secondly, identify and evaluate the difficulties associated with setting transfer prices for the secondment of managers to the proposed investment centre. Prices should encourage the release of staff while being acceptable to both the new investment centre and to the other departments (which are also managed as investment centres) and be optimal for Flatthall overall.

[sub-task (b) = 60%]

Regards

Susanna

From: Marina Delgado, Finance Director
To: Susanna Leong, Senior Financial Manager
Subject: Design team

Hi,

The Board is considering whether responsibility for the design and construction of BTR buildings should be managed as a separate investment centre, under the leadership of a senior manager from Flatthall's existing staff. The new investment centre will be responsible for:

- Overseeing negotiations with town and city planning committees to obtain permission for the construction of BTR buildings.
- Overseeing the architectural design work on BTR buildings.
- Appointment and oversight of the building companies that will undertake construction of BTR buildings, ensuring that construction costs remain within the limits approved by the Board.

It is anticipated that Flatthall will continue to invest in BTR buildings in the long-term future, in addition to building additional PBSA student accommodation.

The investment centre will have a budget for professional staff, such as lawyers, architects and engineers. That budget should be used as appropriate to pay for external professionals and to compensate departments from within Flatthall for the secondment of their professional staff to the BTR investment centre.

Regards

Marina

Management Case Study - Candidate Name

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

From: Financial Manager
To: Susanna Leong, Senior Financial Manager
Subject: FWD: RE: Design team

Paragraph

Word Count : 0

End Exam | Previous



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CIMA

Management Case Study Examination

Case Study Pilot Paper

Variant 1 Exam Answers

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Variant 1

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TASK 1

Business model

Susanna's quote from the business model could provide the basis for a response to the rejection. The fact that the university supports Flatthall's bid indicates that the city has a shortage of suitable accommodation, which could have an impact on the numbers who can study in Elder City. Universities and colleges make a significant contribution to local economies, as employers and in attracting large numbers of students who support local businesses by shopping and spending on leisure activities. Flatthall can also claim to have experience in constructing accommodation in city-centre sites and that experience should translate into an ability to design and build a suitable property that would not cause undue harm to Elder City's skyline. It should be possible to offer the Planning Committee an economic case for the benefits to the city of having additional student accommodation within walking distance of its university. It should also be possible to offer a portfolio of plans and photographs of existing city centre sites that Flatthall has developed in a manner that is sympathetic to existing architecture.

The Planning Committee need not regard the business model as relevant to this application. The business model is a basis for developing plans and implementing strategies that make good business sense for Flatthall and may not be applied to every major decision made by the company. Even if the Planning Committee accepts that Flatthall's Board would be guided by the company's business model, there is no guarantee that the company will submit a plan for this development that is acceptable in terms of architectural merit. The business model is not binding on the company itself and may be regarded as being little more than a broad statement of intent when it is used to communicate with stakeholders. It could be argued that the business model offers subjective criteria that are left open to interpretation. For example, Flatthall's new building may be meeting previously unmet demand for student accommodation that is within convenient walking distance of a university, but students may be living in accommodation that is accessible by public transport. Similarly, the definition of "good quality buildings" is clearly a matter of opinion. Flatthall's design may be deemed suitable by its Board and the architects whom it employs, but that opinion may not be shared by the city's population or by the experts in its Planning Department.

Risks

The main upside risk is that an appeal might be successful and that an opportunity to earn additional revenue might be created. If Flatthall does not appeal then it will have no chance of moving forward with this project. The company has incurred many of the costs associated with evaluating Elder City as a location and in designing a building that might be fitted in place of the shopping mall. It could be relatively inexpensive to develop a revised plan that would be more sympathetic to the local environment and which might be accepted, so the appeal may be likely to be a positive net present value investment.

If Flatthall chooses not to appeal then a rival PBSA provider might be alerted to the availability of the site because of the closure of the shopping mall and might use Flatthall's

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experience to develop a bid that is more in keeping with the Planning Committee's wishes. That could enable the rival to win market share at Flatthall's expense. Making an appeal might discourage rivals from pursuing applications of their own, whether in Elder City or in respect of future sites in which Flatthall takes an interest.

Flatthall's shareholders will be unhappy to read about the company's failure to obtain planning permission for this building. The ability to work with local planning committees is a crucial skill for PBSA providers to develop and so a failed application that is not appealed will seem like a significant failure on the company's part. That is particularly important because of the growing maturity of the PBSA industry. Many of the "easy" sites close to institutions have already been purchased and developed and so more challenging sites such as the former mall in Elder City may rapidly become the norm.

Mounting a successful appeal against this decision will, therefore, enhance Flatthall's reputation with respect to working with local planning authorities and making acceptable bids. A successful appeal might also reduce the risk of future plans being rejected because the relevant planning committees will be discouraged from rejecting applications that raise relatively minor objections because they will be aware that there could be a time-consuming appeal.

The main downside risk of an appeal is that the appeal could fail, leaving Flatthall exposed to additional legal and other professional fees, with nothing to show for it. From a reputational point of view, Flatthall may appear to be negligent because it will have failed to offer a satisfactory response to the reasons for the rejection of the initial application.

A successful appeal could have an impact on the company's relationship with Elder City's Planning Committee, who may take a negative view of any further applications submitted in respect of different sites within the city's boundaries. Unless the appeal addresses all of the earlier objections in a sensitive and respectful manner, the Committee may object to the tone of the appeal and may be more inclined to reject any further applications that are lodged.

If Flatthall succeeds in winning its appeal then the company might appear to have circumvented the planning process and the rules and regulations in place to prevent certain types of construction. That could lead to adverse reactions to any applications lodged by the company in other towns and cities, even if the associated plans are less controversial than those first submitted to Elder City. The company could find itself at a disadvantage to rivals in its bids to expand into cities that have a sound architectural heritage. Local politicians may consider objecting to Flatthall's proposals in response to events at Elder City.

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TASK 2

Team composition

The team should include Taisha Abbott, Flatthall's Property Portfolio Director. Her background will enable her to make valuable input into meetings of the team. She will be able to identify the strategic issues that will have to be addressed by the team. The inclusion of a director will also send a clear message to the Planning Committee that Flatthall takes a serious view of the objections that led to the rejection of the initial proposal. Ms Abbott should not lead the team because that might discourage other team members from speaking freely. It could also prove inconvenient if she cannot be available for every team meeting.

The team should include a senior manager from Customer Service. It is important to include that function because that background will ensure that the team is kept informed of the impact that any changes will have on the desirability of the property to students. For example, changing the layout of the building might mean that some facilities will either be smaller or might have to be removed altogether. Perhaps it will no longer be possible to offer a secure storage space for bicycles. It would make sense for a senior manager to lead the team and convene team meetings. That person should have both the seniority and experience required to manage this effectively.

The team should include an architect, either an employee of Flatthall or an external consultant. An architect will be able to offer suggestions in response to comments from the Planning Committee and will be able to translate those suggestions into revised plans. It will save time and enable the team to maintain momentum if the team is equipped to offer a rapid response to objections voiced by the planning committee, such as a revision to the plans for the façade of the new building.

It may be helpful for the team to include a representative from Finance, ideally a senior manager. It is likely that any changes to the plans will have financial implications. Costs are more likely to increase than decrease and so they must be kept under control. An accountant who has expertise in monitoring the costs of building projects will be able to brief the team on the feasibility of proposed changes. There is no point in agreeing to revised plans that would be uneconomic to implement.

Weekly progress reports

The weekly reports should be designed to enable the Board to check that steady progress is being made towards a successful appeal. A detailed report could create a false impression that progress is being made when, in fact, very little is actually happening. It would be useful to offer brief summaries of meetings with key stakeholders, such as members of the Planning Committee and the senior management team and Elder City University. The summaries should indicate the outcomes of each meeting and the implications of those outcomes for the progress of the appeal. Having a director on the team will ensure that the Board can be confident that the summaries are accurate.

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The Board should also be provided with summaries of team meetings, indicating the matters that were discussed and the agreements reached during the meeting. These summaries should be brief and should focus on relevant findings rather than minuting all discussion. It may be preferable to submit “nil” reports from time to time reporting that no reportable progress has been made since the previous week. That would reduce the risk of dysfunctional behaviour by the team in terms of wasting time on meetings that are unlikely to achieve anything worthwhile.

The report should indicate plans for forthcoming meetings with stakeholders, setting out the objectives of each meeting, identifying the managers who will represent Flatthall and so on. This type of report will enable the Board to see that meetings are being arranged and that the team is planning towards making the best possible use of those meetings. Reporting on plans will enable the Board to take a proactive approach, offering recommendations on the approach that might be taken. That could be more effective than simply reporting on the results of meetings after they have occurred because there will be no real opportunity to change things at that stage. Care will have to be taken to discourage the Board from making excessive use of any such advance notice because it might encourage micromanagement of the team’s activities and that could demotivate team members. Any feedback from the Board might be best communicated through Taisha Abbott so that she is the designated point of contact between the team and the Board and also so that she can respond to any guidance that might prove ineffective.

It might be useful to provide the Board with a document that sets out a timeline for the submission of a successful appeal to the planning committee and indicates the resources that will be required at each stage and the availability of those resources. This document should be updated on a weekly basis to alert the Board to any slippage in the timeline and to encourage the team to ensure that deadlines are being met. The Board will also be able to intervene in the event that there is a shortage of resources, taking steps to ensure that the team has everything that it needs. For example, the Finance representative might be relieved of routine budgetary or financial reporting duties to enable a stronger focus on work required for the project team. This document should ensure that the Board is kept informed of progress without distracting either the team members or the Board itself from their ongoing commitments.

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TASK 3

Ratios

The construction work should not affect the gross profit % to a significant extent because the property will not be open for business during the year ended 30 September 2025. Any payments in relation to accommodation in the building will be in respect of the year ended 30 September 2026. It is possible that some costs will be incurred in relation to the operation of the new building during the year ended 30 September 2025. For example, it will be necessary to clean the building thoroughly once building work has been completed. It would be difficult to justify capitalising or carrying such costs forward as prepayments and so they will be accounted for as part of cost of sales. The increased costs will have no offsetting revenue and so the gross profit % will decrease for the year ended 30 September 2025, in the absence of any other changes.

Return on capital employed will decrease. The additional borrowings required to fund the construction will increase capital employed while return will either not be affected or will decrease slightly. The overall effect will be to increase capital employed by T$360 million, which is 360.0/(7,337.2+2,800.0) = 3.6%. Return will not be affected, so return on capital employed will decrease, but only to the extent of increasing capital employed by 3.6%, which will not make a significant difference. Nevertheless, return on capital employed is an important profitability ratio and so anything that decreases the ratio should be explained to the shareholders.

Gearing will increase. The work undertaken on the new building will not affect equity, but it will increase debt. Debt will increase by a total of $360 million, including the T$10 million borrowed during the financial year ended 30 September 2024. Debt will increase by 360.0/2,800.0 = 13%, which is a significant increase. Fortunately, Flatthall's gearing was already relatively high at 2,800.0/(7,337.2+2,800.0) = 28%, so the increase could be viewed as significant.

Sustainability report

The governance aspects of demolition and construction should be disclosed, so that stakeholders can understand who is responsible for the sustainability issues. Flatthall has a Property Portfolio Director who is responsible for construction management, so it is important to disclose the extent to which the Board in its entirety reviews sustainability in building or whether that responsibility is delegated to the designated director. There is also the need to distinguish the responsibilities of the Board and the architects employed by Flatthall. The architects have the technical skills to incorporate sustainability into design, but they require guidance on the priorities, such as sustainability versus cost.

Flatthall must disclose its strategy relating to sustainability in relation to construction. Building in city-centre sites close to university campuses will enable students to walk to classes and so the environmental damage associated with operations will be reduced.

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Choosing to build in such locations could, however, lead to significant environmental costs in terms of clearing debris from city-centre demolition sites and the delivery of building materials. There could also be conflicts between comfort and the environmental cost associated with construction. Making rooms smaller and creating lower ceiling heights will use less materials for any given number of occupants, but the resulting properties will be less attractive to students. Flatthall should explain how such conflicts are managed.

The risks associated with building on these sites should be identified and the approach to their management disclosed. Students will be able to observe the traffic caused by demolition and construction and may be concerned that a commercial organisation is responsible for such damage. In extreme cases, students could campaign against Flatthall and might press their accommodation service to boycott new developments that are viewed as harmful to the environment. Flatthall should inform stakeholders of its strategy for dealing with the environmental impact of its building work, paying particular attention to visible issues such as the traffic to and from the construction site. The report should be honest and should acknowledge any damage, while recognising any steps taken to address those problems.

Flatthall should identify relevant metrics that it can publish in order to enable stakeholders to compare its performance with that of rivals and also with other types of construction. For example, it may be helpful to disclose the mass of CO_2e emissions from construction per student space created. The provision of clear and objective performance measures will demonstrate that Flatthall acknowledges its responsibility for the impact of new buildings.

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TASK 4

Changes to plan

One major difficulty is that the company will lose a whole year's revenue on 400 rooms if the building is not ready for occupation by October 2025, the start of the academic year. If there is any doubt about that completion date then the University may be unwilling to publicise the availability of rooms in the new building when advising students, which could cause some rooms to be empty even if construction is completed on time. Flatthall should attempt to address any uncertainty by agreeing a plan with the builder that either rewards prompt completion or penalises any delay. The details of that plan can then be shared with the University.

Given the controversy over the initial planning for this site, Flatthall may risk provoking the Planning Committee by changing the plans for its accommodation block and also by proposing the demolition of a building in the same sensitive city centre site. The Committee might insist that the office building should be restored with remedial work on its foundations to avoid the creation of a large gap between buildings. Flatthall should start by taking professional advice on the possibility of successful and cost-effective remedial work. Ideally, it will be possible to offer independent professional advice that the damage is too severe to risk restoring the building and so the only possibility is to demolish it. The changes to the design of the accommodation building should be restricted to structural changes to ensure that the building's foundations will be sound. That should minimise the likelihood of the Planning Committee rejecting the changes.

The possibility of building a second property could lead to delays caused by indecision on the part of Flatthall's Board. That could delay the start of construction while the Board decides on the best use of the additional land and the implications for the design of the building. The only practical way to address that concern would be to demolish the office building and make the earliest possible start on the building that has been planned and permitted. At worst, that might create an opportunity cost, but it will enable the first building to get under way. The Board can then decide what to do with the spare land on the basis that the site will be restricted to the space left after the original building has been completed.

Real option

The Board should consider whether there is evidence of sufficient demand for the additional 400 rooms that a second building will create. Flatthall is already committed to the creation of 400 additional rooms in a city that, presumably, already has sufficient accommodation for its students. The initial building will only be filled if the company can displace students from private rentals in the city or from PBSA operated by rival providers. It may be difficult to attract students to the city centre if Elder City has a student culture of renting private flats in particular areas of the outskirts of town where students gather to socialise.

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It would not be unduly expensive to delay work on the second building because potential demand will be clear by October 2026. Flatthall has committed only T$20 million to the acquisition of the office block, so there will not be a huge amount of capital tied up while waiting.

It is important to avoid becoming distracted by the acquisition of the office building. There is no reason for Flatthall to be committed to using that site for any additional buildings that it constructs in Elder City. The only reason for buying the office block was to expedite the start of construction work on the first building. It may make more sense for any decision on a follow-on investment in Elder City to be planned on the basis of the availability of suitable sites. It may be more sensible to sell the site of the office building for development into, say, a retail space by a third party. That would then free Flatthall to plan any further construction on a site that had been chosen on the basis of its suitability. It may make more sense to avoid having two large buildings on adjacent sites. It may also make more sense to build any further buildings in a different city in the short to medium term rather than rushing to build in Elder City.

The Board should consider the possible reaction of rivals to the construction of the initial building in Elder City. It may make sense to build a second building quickly in order to capture as much of the market as possible before a rival can intervene. It may be possible to obtain some initial feedback from the University concerning the level of interest in the new accommodation that is under construction, which could inform the Board about plans for a further investment. If the signs are good then the Board might make some initial investments in plans and professional work in preparation to seeking permission for a second building. That would hopefully create the possibility that work could get under way in time to have a second building in place by October 2026. It may then be difficult for rivals to obtain approval for their plans in time to have their properties in place for the October 2026 start of the academic year. Even if the purchase of the office block had not been planned, it still creates an opportunity to beat any rivals to the opening of a further residence in the city centre.

A further issue for the Board to consider is whether the Elder City Planning Committee would approve a further building that is only fit for accommodation adjacent to the building they recently approved. Because of the difficulties that Flatthall faced in obtaining planning permission for their current building, it could prove very difficult to obtain planning permission again for a second similar building.

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Management Case Study Examination

Case Study Pilot Paper

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Variant 2

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TASK 1

Ecosystem

It is difficult to tell whether there is sufficient market demand for this style of accommodation. There are no similar properties available on the rental market. The fact that Flatthall has enjoyed success in renting out student accommodation does not mean that there is sufficient demand from other groups of young people. Students are looking for relatively short-term rentals that are intended to facilitate the completion of an academic year of study. Shop workers will be looking for a more open-ended arrangement. Students are prepared to pay quite substantial rents for a room in a shared flat because they are working towards a degree and will only rent on this basis for a maximum of three years. Shop and office workers may be looking for more value from renting a larger space that may be better suited to socialising and other activities.

There is, at present, no competition for this market. That could change very quickly if Flatthall obtains permission to build for the BTR market. If Flatthall creates a precedent then it will become easier and less expensive for rivals to make their own successful application. The entry of rivals into BTR could cost Flatthall revenue if they aim for the same towns and cities in which the company has already obtained permission to proceed. Flatthall has an established reputation in student accommodation, but that may not be known or deemed relevant by potential tenants from different backgrounds. Competitors could interfere with Flatthall's entry into this market by purchasing sites that Flatthall would have been interested in for this new market. Unwelcome competition could also drive up the cost of all sites through the submission of bids for suitable sites that have the effect of driving up the cost to the successful bidder, whether that is Flatthall or someone else.

There could be social resistance to the proposal to develop BTR. This proposal will bring hundreds of young people in relatively poorly paid jobs into town and city centres. Those people are working there already, but they would previously have commuted to homes that were not in the city centre. By building BTR accommodation, Flatthall will be bringing in new groups of residents who may behave differently from the students who presently live in this style of accommodation. There could be concerns that BTR will change the character of town and city centres by replacing shops and offices with flats. Paradoxically, large-scale BTR could affect the number of potential tenants if it led to the demolition of the properties in which they had previously been employed. Major employers, particularly retailers, could argue that BTR is damaging their businesses and so they could lobby city planners to reject proposals for additional accommodation.

This style of accommodation will require careful consideration by regulators. At present, these properties are built for students, who are vetted to a certain extent by their institutions. There could be concerns about safety and privacy associated with creating flats for a wider range of people, who could put younger and more vulnerable residents at risk. It will be difficult for Flatthall to predict whether there could also be concerns about the need to protect the proposed sites for these buildings from further encroachment for accommodation purposes.

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Accounting for professional fees

The basic question that has to be decided is whether the expenditure on professional fees should be capitalised as an asset. If not, it should be written off as an expense as the cost is incurred. If Flatthall intends to acquire or create a tangible non-current asset in the form of land and/or a building then it could argue that the professional fees are effectively part of the cost of acquiring those assets. It would certainly be acceptable to capitalise the cost of architects' plans and drawings or legal fees incurred in the course of an acquisition.

It could be argued that these fees will result in documents that will be Flatthall's property, regardless of whether or how they are used. Architectural drawings, say, will belong to the company. That raises the question of whether the expenditure can be capitalised as an intangible asset under the terms of IAS 38 *Intangible assets*. IAS 38 requires an asset to be separable, which could be the case because Flatthall could decide not to proceed with a project and could sell survey reports and architectural drawings to a third party. A key part of the definition of an asset is whether it will yield future economic benefits. If it is unlikely that the intellectual property acquired through expenditure on professional fees will result in the construction of a building or that the plans will be sold then the cost will not be capitalised under IAS 38.

If the costs are capitalised then they will have to be amortised over their expected useful lives. No amortisation will be charged while the buildings are under construction. In that case, the professional fees will be carried as intangible assets until the buildings have been completed and are available for occupation. The amortisation will be aligned with the depreciation charged on the buildings, using the same useful lives.

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TASK 2

Impacts

A decrease in the value of property could reduce the cost of buying sites on which to build the new BTR properties, which will have the effect of increasing the net present value of the project, thanks to the reduction in the initial investment. Once prices have been agreed and contracts signed, any decrease in the value of property will have no immediate impact on cash flows. Changing market prices will not affect receipts or payments. The only real possibility would be that the residual value of the property could be affected if the price of land remains low when the buildings reach the ends of their useful lives, although it is unlikely that market trends will persist for the life of a building. The biggest concern is that there could be uncertainty about the timing of any acquisition because the shareholders will be unhappy if the company invests heavily in property, only for the value of that property to decline. The Board should consider negotiating the purchase price to make a reasonable allowance for the possibility that prices will fall.

The additional cost of safety regulations will reduce the net present value of the project because the changes will undoubtedly be mandatory and the cost may be significant. Changing designs to take account of new safety requirements will require significant redrafting or plans and specifications and those changes will have to be submitted to the appropriate authorities to ensure that they are both compliant with the new regulations and are consistent, with all of the necessary changes carried through. Any changes that are made once construction is under way could prove even more expensive if, for example, fire alarm systems have to be removed and replaced with more sophisticated models. The most appropriate response to this uncertainty would be to design the system to exceed the present requirements and possibly to make use of the very best available technology. If superior systems comply with current requirements are expected to be made mandatory in the future, then the worst possible case is that Flatthall will exceed the minimum. Even that should not be a problem because improved safety could be a selling point for renters.

The proposed change in the law could reduce demand for BTR rentals because many office workers will consider working from home. Indeed, some employers may insist on employees working from home in order to avoid having to provide office space. A decrease in demand could lead to fewer rooms being occupied or the rentals changed may have to be lower in order to fill all available spaces. In either case, the net present value of the BTR project could decrease. Paradoxically, the contraction of city centre employment could lead to more vacant buildings, which could further reduce the market price of city-centre properties. Cheaper properties could reduce the cost of buildings for BTR and that could have the effect of increasing net present value. Flatthall should extend any market research to break down the potential market for BTR rentals between retail and office workers. The higher the proportion of retailers, the less likely that this development will affect the project. Flatthall should also pay close attention to all new reports and other sources of information about working from home. It may help the Board to decide whether the proposed change in the law is likely to occur.

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Ratios

The most immediate impact is that the loan will increase Flatthall's gearing from 2,800.0/(2,800.0+7,337.7) = 28% to (2,800.0+550.0)/(2,800.0+550.0+7,337.7) = 31%. The company's gearing was already relatively high, although the fact that it owns a significant amount of property will offset the risk perceived by lenders. The increase to 31% is quite an increase and could create problems if any debt covenants restrict gearing to an agreed limit of 30%. This increase will persist into later years, unless the profits on the BTR project are sufficient to increase retained earnings dramatically.

The return on capital employed will be affected quite significantly by these borrowings because the loans will increase capital employed from 2,800.0+7,337.7 = T$10,137.7 million to 2,800.0+7,337.7+550 = T$10.687.7 million, an increase of 5%. The return for the year will not be affected y the project. It is too soon for the project to be generating any profits. The overall impact will be to reduce return on capital employed, which is generally regarded as the most important of the profitability ratios. That impact will persist until the BTR properties start to generate profits.

The borrowings will also have an impact on the liquidity ratios. Current assets will increase by T$550 million, which is nearly eight times current assets as at the beginning of the current financial year. Taken at face value, this will create the impression that Flatthall is highly inefficient, having a huge bank balance that has not been put to work by the directors. It should be possible to inform the shareholders that the substantial bank balance will be temporary and that the cash will be put to work within the next few months.

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TASK 3

Target costing

Flatthall is used to renting properties to students, who have very different financial needs from the market for BTR properties. Students may be supported by their parents and so can afford relatively high rents while completing their studies. BTR tenants will be in full-time employment and are more likely to be required to support themselves while they are staying in Flatthall's accommodation. They may also be saving to move to a larger rented flat or to buy a home of their own. Flatthall must ensure that it does not set its BTR rents at a level that exceeds what potential renters are able to pay. It seems likely that most renters will be in relatively poorly paid employment and so there will be a limit to the maximum that they would be prepared to pay for accommodation. Target costing would be an ideal basis for designing the BTR accommodation, taking account of the total costs that will have to be passed on to tenants.

Target costing provides a framework for evaluating the manner in which the market will perceive a particular feature. All of the matters listed as "important decisions" could make BTR rooms more desirable, but they could also contribute to pricing BTR out of the market. For example, it would be important to consider just home much room each tenant will need in a single room. It may be more preferable to have smaller rooms that enable more tenants to be housed in a property and so rents can be smaller. Flatthall's experience with students may be irrelevant because students need space to store books and study materials in their rooms and also workspace in which they can set up laptops. BTR tenants may be satisfied with a space that is large enough to sleep and store clothes. They may be willing to spend their evenings in the communal areas of their flats in order to reduce rent. Target costing could start with the rent figure that Flatthall has identified as a realistic amount to charge and will assist the company to decide whether or not costs can be justified in terms of commercial benefit.

The problem with target costing is that this is a new type of accommodation and potential renters may not be able to help Flatthall in deciding how to weigh up price versus desirability. Market research results may suggest that potential tenants will be prepared to accept a small space in return for a low rent, but it may be difficult to understand how cramped a room of particular dimensions might feel without seeing it or even without sleeping in it for a few nights. It may be that Flatthall will struggle to determine just how many people will be willing to remain in BTR accommodation that it designs to achieve a particular price point. There is a further complication in that there will be a limit to the length of the rental contract that Flatthall can impose on tenants for BTR flats, unlike students who are prepared to sign contracts for a whole academic year at a time. If tenants are unhappy with the rooms that are designed during a target costing exercise, then they may tend to leave as soon as their contracts permit them to do so. That could leave Flatthall constantly incurring marketing costs in order to replace tenants.

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Sustainability report

IFRS S1 *General requirements for disclosure of sustainability-related financial information* requires disclosure of the responses to sustainability-related risks. Flatthall should explain the approach that it intends to take to BTR. For example, this is a new venture, involving a different standard of accommodation to PBSA. Flatthall should explain how it will address its lack of experience in managing sustainability while meeting the needs of the BTR market. Ideally, Flatthall should demonstrate that its strategy in relation to building and operating its BTR properties is both responsible and commercially sound. Flatthall should explain how the need to provide long-term BTR accommodation for young adults involves different choices to those made in relation to short-term lets in PBSA. Flatthalls' Board should indicate the steps that were taken in order to manage the risks arising from this new venture.

IFRS S1 also requires disclosure of the risks associated sustainability. BTR represents a significant expansion into a new venture for Flatthall. It is important to inform stakeholders of the sustainability-related risks associated with the move to BTR. The initial concerns include the fact that the new type of accommodation will involve higher emissions per occupant than the PBSA accommodation that Flatthall I used to providing. That increase could discourage tenants from signing leases for BTR. It would be sensible for Flatthall to acknowledge that there could be reputational risks associated with BTR, but those risks might be managed and disclosed separately from existing business activities. Separating BTR might help stakeholders to understand that Flatthall's environmental risk profile has not changed with respect to PBSA and that the company plans to be transparent in its approach to managing risks relating to BTR.

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TASK 4

Leadership style

It would make most sense for the senior manager in charge of the investment centre to adopt a participative style of leadership, with some modification to that style when needed.

Subordinates are to be assigned difficult and sensitive duties such as negotiating with planning committees. Those subordinates must be granted some freedom to develop their own preferred approach to such negotiations. It will not always be possible to achieve a specific outcome. The senior manager should brief managers tasked with particular negotiations on the matters that must be agreed and should set out the criteria on matters that are desirable but are not necessarily vital. If the managers cannot obtain all of the required concessions, then they should report back to the senior manager for further consultation.

The senior manager is responsible for managing professional people, including architects and lawyers. Such people would not be comfortable with being issued instructions in an autocratic manner. A participative leadership approach will help those professionals to interact and engage with the senior manager and will help the senior manager to understand the constrains arising from their professional viewpoint. Encouraging interaction will enable the senior manager to make the best use of the professional skills that are on offer and may reduce the risk of costly problems. If the senior manager adopts an autocratic approach, then the professionals may respond by making suboptimal and even dysfunctional decisions. For example, imposing an impractical constraint on a structural engineer could lead to the submission of plans that cannot be passed by regulators because they have been prepared on the basis of illogical instructions.

Working with construction companies might require a combination of participative and autocratic styles of management. Certainly, it would be desirable for building companies to be encouraged to offer their opinions about planned construction projects. It may also be necessary to adopt a more assertive approach to managing matters such as deadlines and costs, particularly when budgets are exceeded. The senior manager should respond to developments in the manner that best fits the circumstances, without necessarily being constrained by a need to adopt a single style of leadership.

Transfer prices

Optimal transfer prices are frequently determined by considering the opportunity cost of the resource being transferred.

In some cases, the opportunity cost will effectively be zero because the professional staff are not fully employed because of a quiet spell in their department or because their departments are engaged in projects that are at phases that do not require their particular skills. In such cases, the transfer price could be set at the marginal cost of secondment, which could be zero or limited to whatever travel expenses might be incurred by the seconded staff. The senior manager would be delighted to accept staff on that basis.

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Unfortunately, the managers responsible for the staff who are to be seconded might be reluctant to admit that the staff are not gainfully employed in their permanent departments and so it could be difficult to persuade managers to release them. It would be relatively easy to put professional people to work and to claim that they cannot be spared, especially if there will be no financial compensation for the department making the secondment.

Where there is a lack of capacity then it might be possible to identify circumstances in which a compromise might be reached. There could be situations in which a department has professional staff who are busy, but whose work could be done by a more junior external consultant for the duration of the secondment. For example, the senior manager requires a senior property law expert to draft a planning application. Another department has a senior property law expert, who could be replaced in the short term by a more junior lawyer. The senior property law expert could be seconded in return for the cost of employing the junior lawyer on a consultancy basis. Such an arrangement is, unfortunately, likely to be unpopular with the manager making the secondment because it will be preferable to retain the services of an experienced professional who is known to be competent. Managers might discourage the use of staff on this basis by exaggerating the qualifications and experience that would be required in the temporary replacement. It will always be difficult to estimate the opportunity cost of a professional person engaged in this type of activity.

Paradoxically, the seniority and technical nature of the work being undertaken by the senior manager in charge of the new investment centre and the status of the senior manager's counterparts in the other departments will make it difficult to impose an effective scheme that will optimise temporary transfers of staff. It may be necessary to rely on the professionalism and integrity of the managers to simply release professionals on request, provided the staff are available to be seconded. This is a complex scenario that does not lend itself to a mechanical decision rule. Such as the techniques that might apply in, say, a manufacturing scenario in which there could be benefits from internal trade between factories. In Flatthall's case, the professionals vary in ways that make it difficult to identify a meaningful market value for lost time and effort. There could also be concerns raised by any transfer pricing scenario in which managers might attempt to direct the new investment centre's manager towards less capable professional staff, who will be less likely to be missed within their hoe departments.

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Management Case Study Examination

Case Study Pilot Paper

Variant 1 Marking Guidance

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Variant 1

About this Marking Guidance

This Marking Guidance has been prepared for variant 1 of the CGMA Management Case Study pilot paper for exams from May 2026.

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.

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- 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.

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Summary of the core activities tested within each sub-task

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

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TASK 1

TASK 1			
Sub-task (a) **Evaluate** the usefulness of Flatthall's business model in appealing against the Planning Committee's rejection of our application.			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Discusses usefulness	2-3
	Level 3	Discusses usefulness with justification	4-5
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Discusses usefulness	2-3
	Level 3	Discusses usefulness with justification	4-5
Sub-task (b) **Evaluate** the main upside and downside risks associated with appealing against the Planning Committee's rejection of our planning application in Elder City.			
Trait			
Upside	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies upside risks	1-2
	Level 2	Evaluates upside risks	3-5
	Level 3	Evaluates upside risks with good justification	6-8
Downside	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies downside risks	1-2
	Level 2	Evaluates downside risks	3-5
	Level 3	Evaluates downside risks with good justification	6-7

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TASK 2

TASK 2			
Sub-task (a) **Recommend** with reasons the membership of the project team.			
Trait			
Recommendations	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies team members	1
	Level 2	Describes roles	2-3
	Level 3	Describes roles in detail	4-5
Reasons	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some justification	1
	Level 2	Justifies roles	2-3
	Level 3	Offers full justification for roles	4-5
Sub-task (b) **Recommend** with reasons the types of information that the project team should submit to the Board in its weekly progress reports**.**			
Trait			
1st type	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes type of information	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4-5
2nd type	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes type of information	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4-5
3rd type	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes type of information	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4-5

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TASK 3

TASK 3			
Sub-task (a) **Explain** the likely impact of this project on Flatthall's gross profit %, return on capital employed and gearing ratios for the financial statements for the year ended 31 August 2025.			
Trait			
1st ratio	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes impact	1
	Level 2	Explains impact	2-3
	Level 3	Explains impact with justification	4
2nd ratio	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes impact	1
	Level 2	Explains impact	2
	Level 3	Explains impact with justification	3
3rd ratio	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes impact	1
	Level 2	Explains impact	2
	Level 3	Explains impact with justification	3
Sub-task (b) **Recommend** with reasons the disclosures that Flatthall should make in its sustainability report in relation to its approach to construction work on new buildings.			
Trait			
Governance	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines topic	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with justification	4
Strategy	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines topic	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with justification	4
Risks	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines topic	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with justification	4
Metrics	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines topic	1
	Level 2	Recommends disclosure	2
	Level 3	Recommends disclosure with justification	3

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TASK 4

TASK 4			
Sub-task(a) **Identify and evaluate** the difficulties that the changes to the construction plan arising from the acquisition of the office building might create and recommend responses.			
Trait			
Difficulties	**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
Responses	**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
Sub-task (b) **Recommend** with reasons the matters that should be considered in deciding whether to retain the additional land in order to create an option to construct a second building.			
Trait			
1st matter	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies matter	1
	Level 2	Recommends with reasons	2-3
	Level 3	Recommends with reasons and good justification	4-5
2nd matter	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies matter	1
	Level 2	Recommends with reasons	2-3
	Level 3	Recommends with reasons and good justification	4-5
3rd matter	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies matter	1
	Level 2	Recommends with reasons	2-3
	Level 3	Recommends with reasons and good justification	4-5

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Management Case Study Examination

Case Study Pilot Paper

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Variant 2

About this Marking Guidance

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How to use this levels-based marking scheme

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2. Select the level

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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.

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Summary of the core activities tested within each sub-task

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

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TASK 1

TASK 1			
Sub-task (a) **Evaluate** the difficulties associated with understanding the ecosystem for the BTR market**.**			
Trait			
Difficulties	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulties	1-2
	Level 2	Discusses difficulties	3-5
	Level 3	Offers a full explanation of difficulties	6-8
Evaluation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Explains difficulties	1-2
	Level 2	Evaluates difficulties	3-5
	Level 3	Offers a detailed evaluation of difficulties	6-7
Sub-task (b) **Recommend** with reasons the appropriate treatment of the professional fees described in the proposal in Flatthall's financial statements.			
Trait			
Accounting issues	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies relevant standards	1
	Level 2	Identifies accounting issues	2-3
	Level 3	Offers a detailed explanation of the accounting issues	4-5
Application	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some application to the scenario	1
	Level 2	Applies accounting issues to the scenario	2-3
	Level 3	Applies accounting issues to scenario with justification	4-5

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TASK 2

TASK 2			
Sub-task (a) **Evaluate** the difficulties associated with predicting the impact that the three events listed by the Finance Director will have on the net present value of the investment in the first 10 BTR buildings and recommend, with reasons, potential responses.			
Trait			
1st event	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2nd event	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
3rd event	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
Sub-task (b) **Evaluate** the impact that the T$550 million loan will have on the interpretation of Flatthall's financial statements for the year ended 31 August 2024.			
Trait			
Ratios	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies ratios that might be affected	1
	Level 2	Explains impact on ratios	2-3
	Level 3	Offers a detailed explanation of impact on ratios	4-5
Interpretation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Interprets result	1
	Level 2	Offers a detailed interpretation of the result	2-3
	Level 3	Offers a detailed interpretation of the result with justification	4-5

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TASK 3

TASK 3			
Sub-task (a) **Evaluate** the potential usefulness of target costing for deciding on the nature of the rooms and the facilities that Flatthall will offer in its BTR properties.			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies relevant issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4-5
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies relevant issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4-5
3rd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies relevant issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4-5
Sub-task (b) **Recommend** with reasons how the strategy and risk management sections of Flatthall's sustainability report should reflect the new BTR business.			
Trait			
Strategy	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines section	1
	Level 2	Discusses treatment	2-3
	Level 3	Offers some detail on treatment	4-5
Risk management	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines section	1
	Level 2	Discusses treatment	2-3
	Level 3	Offers some detail on treatment	4-5

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TASK 4

TASK 4			
Sub-task (a) **Recommend** with reasons the leadership style that will be required for the senior manager who will be in charge of the proposed new investment centre.			
Trait			
Recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines leadership	1
	Level 2	Describes leadership style	2-3
	Level 3	Offers a detailed description of leadership style	4-5
Reasons	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some explanation for recommendation	1
	Level 2	Explains recommendation	2-3
	Level 3	Explains recommendation with justification	4-5
Sub-task (b) **Identify and evaluate** the difficulties associated with setting transfer prices for the secondment of managers to the proposed investment centre.			
Trait			
Identification	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulties	1-2
	Level 2	Describes difficulties in some detail	3-5
	Level 3	Offers a full description of difficulties	6-8
Evaluation (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Explains difficulties	1-2
	Level 2	Explains difficulties in some detail	3-5
	Level 3	Offers a full explanation of difficulties	6-7

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CIMA

Management Case Study Examination

Case Study Pilot Paper

Candidate Guidance

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General expectations about the Management Case Study examination

Structure

Each MCS examination consists of four sections, each requiring 45 minutes of time and worth 25 marks in the marking guidance. Each section will give you new information about the company or its industry (either in the display screen or as an exhibit) and present you with two sub-tasks to complete.

Within a section, each sub-task will show a percentage weighting, which represents the percentage of the total time available for the section that should be allocated to answer that sub-task. This percentage weighting equates to the marks that are available in the marking guidance for that sub-task. For example, if the sub-task is shown as 40%, that equates to 40% of the time available for that section, or 18 minutes out of the total section time of 45 minutes.

Blueprint

Each MCS examination will cover all core activities in line with MCS blueprint weightings. These are as follows:

Core activity	Blueprint weighting
A. Evaluate opportunities to add value	15-25%
B. Implement senior management decisions	15-25%
C. Manage performance and costs to create sustainable value	15-25%
D. Measure performance	15-25%
E. Manage internal & external stakeholders	15-25%

Each core activity will be covered once or twice across each variant. For example, core activity A could have a requirement relating to capital investment appraisal and another relating to business models.

Marking

Within the marking guidance, each sub-task will be broken into one or more traits for the purposes of marking. Each trait is marked using a levels-based approach, with the marks available evenly allocated across level 1, level 2 and level 3. If there is no rewardable material in your answer you will score 0.

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For MCS there are 4 key elements that determine whether your answer for a trait is judged as level 1, 2 or 3 by the marker. These are summarised below:

Element	Level 1	Level 2	Level 3
Technical understanding	Your answer shows limited technical understanding of the syllabus content.	Your answer shows some technical understanding. There may be technical weaknesses and/or gaps in your answer.	The answer meets the technical requirements implicit in the task and demonstrates good technical understanding.
Communication	Your answer does not reflect the task requirement.	Your answer demonstrates some relevance to the requirements stated in the task.	Your answer generally demonstrates a full understanding of the requirement set out in the task.
Use of the information provided	Your answer shows limited use of the information provided.	Your answer reflects the information given to some extent.	Your answer makes appropriate use of the information provided.
Application to the scenario and context	Your answer takes an illogical or unrealistic approach to the issues arising from the scenario.	Your answer offers some logic and realism in approaching the issues arising from the scenario.	Your answer reflects a logical and realistic response to the issues arising from the scenario.

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General comments on the Management Case Study pilot papers

The company

The Management case study (MCS) practice test was based on a pre-seen scenario relating to Flatthall, a company that rents out purpose-built student accommodation (PBSA). That is a complex business because of the differing needs of stakeholders. Students can choose whether or not to rent from Flatthall and whether they wish to return for subsequent academic years. They can also post either positive or negative reviews on social media. Universities are important stakeholders because they can support any plans to build new properties. They can also refuse to list the company as a responsible landlord in advising their students. Local government may view Flatthall as a source of wealth in attracting students to their towns and cities.

Flatthall's directors are likely to face a number of strategic choices, all of which will require support from a competent financial manager in order to reach a final decision. Candidates who are preparing to sit the MCS should take care to study the pre-seen material carefully. It should be sufficient to read the content carefully and to develop an understanding of Flatthall's business as it is described. It is not necessary to memorise the pre-seen, but candidates should have a good grasp of the information that is provided.

Overview of the pilot case study papers

Two pilot case study papers have been written and the focus of each is as follows:

- Variant 1: Flatthall wishes to build a PBSA building in the centre of a city that wishes to preserve its architectural heritage. This will be the first PBSA venture in the city and has proved unpopular with residents.
- Variant 2: Flatthall is considering the implementation issues associated with entering the build to rent market.

These variants were described in terms of strategic decisions that were being considered by Flatthall's Board. Both variants required candidates to provide the Board with advice on matters arising from those decisions. Those matters could relate to advising the Board on factors that should be considered in reaching final decisions or to making recommendations on implementation matters arising from decisions that have already been made.

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Variant 1

TASK 1

Flatthall's application for permission to build new purpose built student accommodation is rejected.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the usefulness of Flatthall's business model in appealing against the Planning Committee's rejection of our application.	40%	A – select and implement suitable business models that will create value for stakeholders	evaluated a limited number of issues in depth rather than providing a long list of points without development. Key issues explored included the possibility of offering the Planning Committee an economic case for the benefits to the city of further student accommodation, especially as the university supports Flatthall's bid. Also, good answers often recognised that the Planning Committee does not need to pay any regard to Flatthall's business model when making a decision.	identified some issues correctly but did not necessarily discuss or evaluate them. Responses may have correctly identified appropriate issues but explored them in insufficient depth.
(b)	Secondly, **evaluate** the main upside and downside risks associated with appealing against the Planning Committee's rejection of our planning application in Elder City.	60%	C – apply the techniques that quantify and present risk to stakeholders	explored both upside and downside risk, correctly explaining that the appeal might be successful and give Flatthall the opportunity to increase its revenue and recognised that a successful appeal might enhance the company's reputation. Good answers often considered the possibility that the appeal might fail, costing money for professional fees with no return, and a successful appeal might damage the company's relationship with the Planning Committee.	Failed to go beyond the identification of risks. Some answers discussed downside risks but ignored upside risks. Some poor answers identified examples of both types of risk but did not explore them in sufficient detail and depth.

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TASK 2

It is proposed that a project team should be established to lobby against the decision by the Elder City Council's Planning Committee.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **recommend** with reasons the membership of the project team. I believe that the team should comprise a maximum of four individuals, including the team leader.	40%	B – identify the key project personnel, explain their responsibilities and set appropriate performance measures	identified the skills needed for different roles in the project team and discussed who would be appropriate to carry them out. Arguments were well justified.	identified some roles and suggested how they could be filled but will did provide sufficient depth of discussion. Some answers were more generic and talked about team membership in general rather than the roles required in this specific scenario.
(b)	Secondly, **recommend** with reasons the types of information that the project team should submit to the Board in its weekly progress reports.	60%	D – select and apply suitable tools and techniques for managing risk and uncertainty associated with performance related issues	were well thought out and focussed on the specific requirement for weekly reports. Appropriate suggestions included summaries of meetings with key stakeholders, summaries of team meetings, plans for future activities and a timeline for the appeal submission.	often included irrelevant information, perhaps focussing on what the project team should be doing rather than what they should be reporting to the Board. Poor answers tended to lack focus and often talked in general terms about project reports, rather than what would be appropriate to produce on a weekly basis. For example, they might have discussed the need for a post project review report.

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TASK 3

The Board is keen to start construction on the new building in Elder City. There are costing and environmental considerations.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **explain** the likely impact of this project on Flatthall's gross profit %, return on capital employed and gearing ratios for the financial statements for the year ended 31 August 2025. I am looking for an explanation of whether the ratios will increase or decrease. I do not require the actual calculations.	40%	D – use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios	correctly and clearly explained that gross profit % will probably not be affected much because the property will not be open until the following year, that return on capital employed is likely to decrease because of the additional borrowings and that gearing will rise.	gave little explanation and were often only partly correct. Some poor answers explained the impact in less detail or were incorrect about at least one ratio. Poor answers often assumed that any payments in advance from students for the accommodation could be immediately recognised, or that increased debt does not increase capital employed.
(b)	Secondly, **recommend** with reasons the disclosures that Flatthall should make in its sustainability report in relation to its approach to demolition and construction projects on city centre sites.	60%	E – explain the implications of Integrated Reporting for the reporting entity and its stakeholders	provided well justified and technically correct explanations of the potential impact, recognising that the new building increases manufactured capital, that it could be argued that the new building indicates that Flatthall has gained knowledge and experience which increases intellectual capital and that the support of the local university to build the new accommodation reflects an increase in social and intellectual capital.	did not progress beyond defining the three capitals and demonstrated very limited technical knowledge. Some poor answers were underdeveloped and only partially correct in their analysis. Some answers did not address all three elements asked for.

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TASK 4

Building work is delayed due to safety issues with adjacent land.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **identify** and **evaluate** the difficulties that the changes to the construction plan arising from the acquisition of the office building might create and recommend responses.	40%	B – apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle	provided well justified explanations of the difficulties and also recommended appropriate responses. Relevant issues included the potential loss of a whole year's revenue if the building is not ready for the start of the academic year, the risk of provoking the Planning Committee by changing plans, and the potential for decision making over the possibility of building a second property causing further delays.	identified the difficulties but did not evaluate them and did not offer appropriate responses. Some answers attempted to evaluate the difficulties but with less development of arguments and were often too brief in their discussion of appropriate responses.
(b)	Secondly, **recommend** with reasons the matters that should be considered in deciding whether to retain the additional land in order to create an option to construct a second building.	60%	A – select appropriate capital investment appraisal techniques and apply them in order to support capital investment decisions	identified a limited number of relevant matters and explained them in some depth. For example, the Board would need to consider whether there is sufficient demand for an additional 400 rooms, whether it would be better to sell the site to a third party and what the possible reaction of rivals will be.	identified some issues but did not provide any supporting reasons why they should be considered. Some answers lacked development, or identified a long list of issues but did not evaluate them in any depth.

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Summary of Variant 1 blueprint coverage

The percentages of marks available in the pilot paper for each topic covered and core activity are shown in the following table:

Sub-task	Topic	Core activity					Total
		A:	**B:**	**C:**	**D:**	**E:**	
Task 1							
(a)	Business model	10					**10%**
(b)	Risks			15			**15%**
Task 2							
(a)	Team composition		10				**10%**
(b)	Weekly progress reports				15		**15%**
Task 3							
(a)	Ratios				10		**10%**
(b)	Sustainability report					15	**15%**
Task 4							
(a)	Changes to plan		10				**10%**
(b)	Real option	15					**15%**
Pilot paper totals		**25%**	**20%**	**15%**	**25%**	**15%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

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Variant 2

TASK 1

The Board is considering a proposal to enter the Build to Rent (BTR) market.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the difficulties associated with understanding the ecosystem for the Build to Rent (BTR) market.	60%	A – select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems	listed a number of relevant elements of the ecosystem and identified the issues facing Flatthall's management team in evaluating each element. Good answers generally offered a logical evaluation of the issues associated with understanding the ecosystem associated with this new form of accommodation.	tended to demonstrate a lack of understanding of the ecosystem and so offered unstructured and irrelevant arguments.
(b)	Secondly, **recommend** with reasons the appropriate treatment of the professional fees described in the proposal in Flatthall's financial statements.	40%	D – select appropriate accounting treatments and explain their implications for users of the financial statements	identified the issues and drew upon relevant accounting standards in deciding on the appropriate accounting treatment.	failed to show understanding of basic issues, such as the need to decide whether to carry the costs incurred forward as an asset or to write them off as expenses.

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TASK 2

The Board is considering taking a loan to finance construction and asks for your advice should three specific events occur over the next 2 years.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the difficulties associated with predicting the impact that the three events listed by the Finance Director will have on the net present value (NPV) of the investment in the first 10 BTR buildings and recommend, with reasons, potential responses.	60%	B – select and apply suitable tools and techniques for managing risk and uncertainty in capital projects	identified ways in which the amounts and, where appropriate, the timing of future cash flows might be affected by the anticipated events.	misunderstood the point of the NPV calculation. For example, with respect to the first event which suggested that the price of properties might decrease. Poor answers often expressed concern that demand for rental properties might decline if potential tenants could buy their own homes. There are alternative approaches to this event, but all distinguish themselves by discussing their impact on cash flows. Some answers ignored cash. For example, recognising losses on revaluation will affect Flatthall's equity, but not the NPV of this investment.
(b)	Secondly, **evaluate** the impact that the T$550 million loan will have on the interpretation of Flatthall's financial statements for the year ended 31 August 2024.	40%	D – use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios	focused on key accounting ratios, primarily the ROCE and the gearing ratio. Other ratios were accepted, especially when the choice was explained.	missed the point of interpretation of financial statements and, in doing so, will fail to address the requirement or address random ratios that will not be affected by the additional borrowing.

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TASK 3

Your advice is sought following a report on the progress of the Build to Rent (BTR) venture. The Board needs to make decisions on some of the design issues associated with the new buildings.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the potential usefulness of target costing for deciding on the nature of the rooms and the facilities that Flatthall will offer in its BTR properties.	60 %	C – identify and apply value management techniques to enhance value	offered a balanced discussion of the reliability of target costing in arriving at these decisions. Good answers often focus on the difficulties of predicting the impact that certain decisions might have on demand for Flatthall's BTR accommodation. Stronger answers identified both the strengths and weaknesses of target costing in the context of developing a new business in which the company has no prior knowledge.	restricted themselves to defining and describing target costing, with no real attempt to relate that description to the scenario.
(b)	Secondly, **recommend** with reasons how the strategy and risk management sections of Flatthall's sustainability report should reflect the new BTR business.	40 %	E – I can explain the implications of Integrated Reporting for the reporting entity and its stakeholders	were clear about the content of the report and offered realistic applications to the scenario.	tended to be underdeveloped.

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TASK 4

The Board is considering whether responsibility for the design and construction of the Build to Rent (BTR) buildings should be managed as a separate investment centre, under the leadership of a senior manager from Flatthall's existing staff.

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	Firstly, **recommend** with reasons the leadership style that will be required for the senior manager who will be in charge of the proposed new investment centre.	40 %	C – compare leadership styles and identify the most appropriate style to use	took a direct approach, recommending a specific style and explaining why it was deemed suitable.	listed different leadership styles and offered brief descriptions, with very little attempt to recommend a style that is suited to the situation.
(b)	Secondly, **identify** and **evaluate** the difficulties associated with setting transfer prices for the secondment of managers to the proposed investment centre. Prices should encourage the release of staff while being acceptable to both the new investment centre and to the other departments (which are also	60 %	E – explain the behavioural and transfer pricing issues associated with internal trading	identified the criteria required of transfer prices that are capable of optimising the use of the resource of managers' time.	missed the point and discussed transfer pricing in very general terms.

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	managed as investment centres) and be optimal for Flatthall overall.				

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Summary of Variant 2 blueprint coverage

The percentages of marks available in the pilot paper for each topic covered and core activity are shown in the following table:

Sub-task	Topic	Core activity					Total
		A:	**B:**	**C:**	**D:**	**E:**	
Task 1							
(a)	Ecosystem	15					**10%**
(b)	Accounting for professional fees				10		**15%**
Task 2							
(a)	Impacts		15				**10%**
(b)	Ratios				10		**15%**
Task 3							
(a)	Target costing			15			**10%**
(b)	Capitals					10	**15%**
Task 4							
(a)	Leadership style			10			**10%**
(b)	Transfer prices					15	**15%**
Pilot paper totals		**15%**	**15%**	**25%**	**20%**	**25%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

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