Operational Case Study
CGMA Professional Qualification
Pilot papers pack for exams from May 2026

This document contains 2 full length case study pilot exams and the supporting resources for the CGMA Case Study Examinations from May 2026. Use the links on this page to jump to the documents required.

Pre-seen material

This pre-seen applies to both variants.

OCS variant 1

- Exam questions variant 1
- Suggested solutions variant 1
- Marking guidance variant 1
- Candidate general guidance
- Candidate variant 1 guidance

OCS variant 2

- Exam questions variant 2
- Suggested solutions variant 2
- Marking guidance variant 2
- Candidate general guidance
- Candidate variant 2 guidance

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

If you need any more information please contact us.

Operational 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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Your role

You are a Finance Officer working within the Finance Department of Personal Best (PB). You are principally involved in the preparation of management accounting information and provide information to managers to assist with planning, control and decision making. At times, you are also expected to assist with the preparation of the financial statements and answer queries regarding financial reporting and other financial matters.

Company background



Personal Best (PB) is a company that manufactures and sells protein bars and protein powders. The products are intended primarily as pre- or post-workout snacks for people who undertake a regular programme of exercise. The company is based in Ceeland, a country in Europe which has the C$ as its currency.

PB was founded in 2019 by Julia Matthews, Penny Sanchez and Hema Bhatt. The three founders were all members of the same gym, where they attended the same body building sessions several times each week. Following a particularly gruelling group session, the three founders debated what their ideal post-workout snack would be. As all three had busy careers with limited free time, convenience was high on the list of priorities, and they decided unanimously that an individually wrapped snack bar would be best. All three concurred that the snack had to be high protein and should contain no added sugar because it had to satiate and not spike blood sugar levels. The gym manager overheard the conversation and argued that the perfect snack was already for sale in the gym's cafe in the form of the WDW high protein snack bar. The three founders then added a further pre-requisite….it also had to taste good. Thus, the idea for PB was born.

Over the next few months, the founders experimented with diverse types and combinations of ingredients in their attempt to create their personal best protein bar. Working in Julia's own domestic kitchen, they selected and mixed the ingredients and then rolled the dough until they produced a 60-gram protein bar which included 22 grams of protein, 14 grams of fibre, less than a gram of sugar and was only 198 calories. It tasted fabulous. The three founders replicated this feat to create ten amazing differently flavoured bars.

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Convinced that they had a successful product on their hands, the founders approached several manufacturing companies with a view to outsourcing production. They were turned down by them all. Trusting that their instinct was correct, and that the protein bar would be a success, the founders re-mortgaged their homes and invested their life savings in setting up a small manufacturing plant. Both Julia and Hema quit their jobs to work full time at PB and in the early days worked 18 hours a day: sourcing suppliers, taking orders, unloading deliveries, as well as manufacturing, packing and distributing the bars. Penny, while continuing in her employment as a marketing executive, managed to plan and execute a near-perfect marketing campaign using social media to raise awareness and create demand for the protein bars.

Within weeks of the formal product launch, PB was an outstanding success. A gap in the market had just been filled. Many social media influencers with perfectly toned gym bodies praised the delicious flavours and posted image after image of themselves holding PB bars. Following the launch, several innovative fans of PB protein bars began to post recipes on social media for various desserts made using the PB bars as the main ingredient. Videos of how to make cheesecake, warm fudge cake and pancakes with melted PB bars were constantly shared and liked on social media.

The first PB protein bars were offered for sale at the chain of gyms where the idea was first conceived and within a short time other gym chains contacted the founders, as their customers were asking them to stock the products. Growth in the first year of trading was so rapid that new premises and an additional plant and machinery had to be acquired in order to keep up with demand.

In the first year of trading, the range of protein bars increased to 16 flavours and, in the second year of trading, six additional flavours were offered as limited editions. All new flavours were tested (for no charge) by selected influencers. Also, in the second year of trading, Penny, who now also worked full time at PB, relaunched the basic website and a distribution team was recruited.

During the third year of trading, the founders introduced a new product, protein powder, under the PB brand. This product was also an outstanding success. A protein powder that transformed into a smooth, creamy, delicious shake when water was added, seemed too good to be true to the tens of thousands of PB devotees. PB's revenue has continued to grow rapidly. At each stage of growth, the founders found the time and energy to recruit like-minded, innovative and enthusiastic staff, and it was felt growth was driven by the company's entrepreneurial culture.

PB has experienced sales growth every month since its foundation. The three founders all have their own specialisms which enable them to work together in a remarkably smooth and collegiate manner. By common consent, Hema, an engineer who designed and built the first production machinery, is now the Managing Director, Julia is the Finance Director and Penny is the Sales & Marketing Director. In the year to 31 December 2024, the company's revenue was C$23.9 million, gross profit was C$8.4 million and profit before tax was C$1.2 million.

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PB’s mission statement and ethos

PB’s mission statement is “To help all customers to achieve their own personal best and to live their best life”. It is this mission that guides most of the decisions at PB. Alongside the products themselves, the website offers the vast PB community nutritional and fitness advice, hosts support chat rooms, offers prizes for the best recipe using PB’s snack bars or protein powder every month and has links to other relevant websites.

The founders are also concerned with sustainability and ensure that the ingredients used in production are ethically and sustainably sourced. From the early days of PB’s existence, where suppliers were begged and charmed into offering advantageous credit terms, relationships with suppliers are seen as vital to PBs’ success. The company has an aim to be carbon neutral within 4 years and is continually striving to improve its supply chain, manufacturing processes and outward logistics to get closer to this. For example, in the first few months of production, peanut butter was sourced from suppliers that imported from South America. In late 2018, PB began sourcing raw peanuts from a grower in Europe and now roasts and grinds these in-house to produce its own peanut butter.

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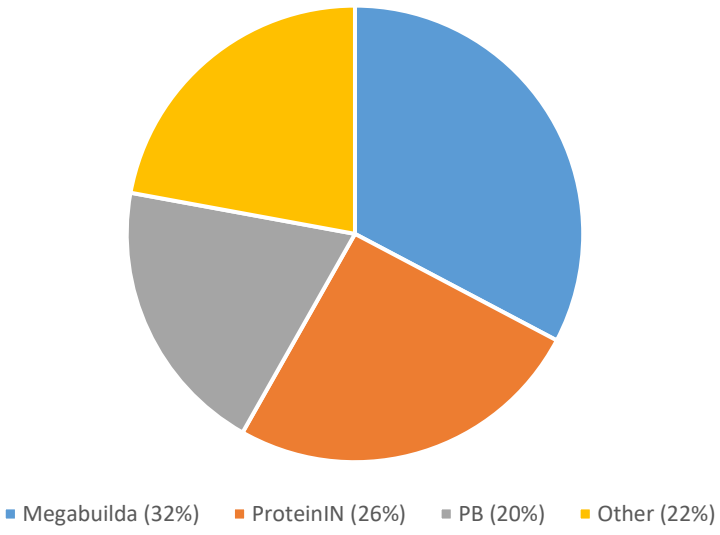
The industry

Until quite recently, protein powders and related products were confined to a relatively niche market, generally male weightlifters and bodybuilders. However, medical reports linking sugar and other “beige” carbohydrates to weight increase has revolutionised thinking about weight loss. This has given rise to the concept of the “keto diet”, a way of eating that combines very low carbohydrate with relatively high protein and high fat foods in order to send a body into “ketosis” (in other words, a state where fat is being burned).

This revolution has reduced demand for traditional diet products that tended to be “low fat” but relatively high carbohydrate, in favour of low carbohydrate, high protein, higher fat snacks and meal replacement products. As a result, the protein bar/protein powder industry has grown rapidly during the past 6 years and is expected to continue to grow for at least the next 4 years. The European market growth rate reflects the patterns observed in Ceeland and has similar levels of competition in most countries.

The Ceeland market for protein powder

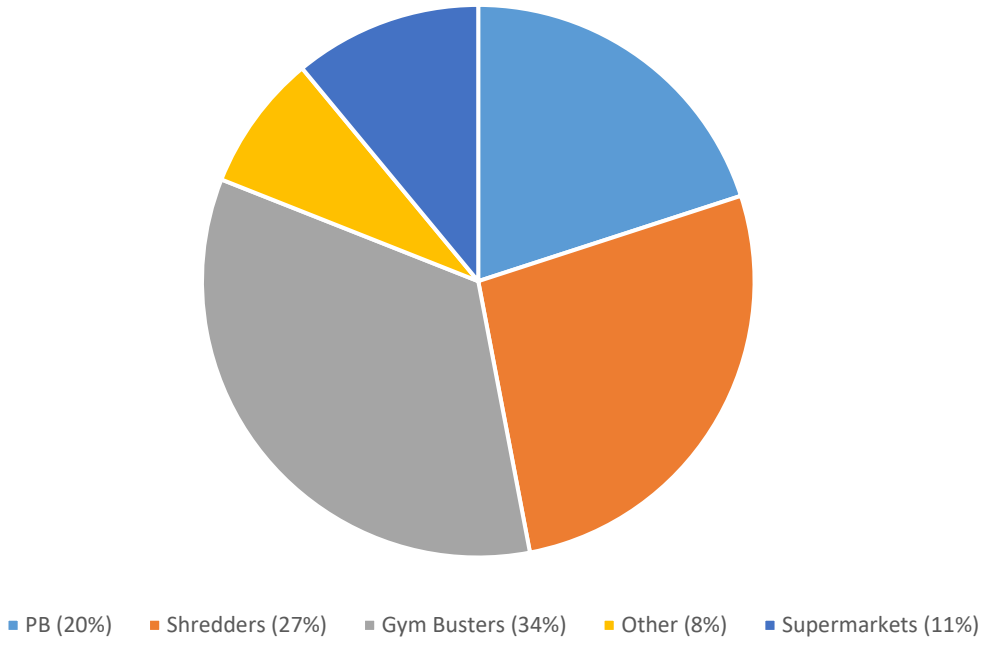
The protein powder market in Ceeland is dominated by three companies: PB, Megabuilda and ProteinIN. PB is the only company that is based in Ceeland and has the smallest market share of the three, although its share is growing. The market revenue for protein powder in Ceeland in 2024 was C$30 million and is expected to grow by 5% year on year for the foreseeable future. Market share, based on sales revenues for 2024, was as follows:



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The Ceeland market for protein bars

The protein bar market is much more fractured than the protein powder market, as start-up costs are relatively low and the market base appeals to a much wider segment than protein powder (which is predominately the post-workout market). The total market for protein bars can be loosely divided into three sub-segments: post-workout bars, diet bars (including those suitable for the keto-diet market) and general snack bars. Different brands lead in these sub-segments, but some appeal to more than one segment. The total market revenue in Ceeland for all protein bars in 2024 was C$156 million, split roughly as follows: C$80 million pre- and post-workout, C$60 million diet and C$16 million general snack. PB protein bars currently targets the pre- and post-workout segment. Market share for this segment, based on sales revenues for 2024, was as follows:



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Extracts from the PB website

Home About Products Services Blog Contact

Be Your Personal Best

with our delicious protein bars and protein powders



At PB, we want to help you be your personal best, whatever that means for you.

We know that your time is precious and that you don't always have the resources to cook the perfect post-workout meal or low-calorie lunch, so we have created delicious and convenient alternatives, allowing you to get out there and live your best life!

Penny's Page

Co–founder Penny Sanchez has had a busy week

- Interview with TV's Della Moss
- Results of the "what new product" poll
- Workout wonder tips

This week's top recipe

PB bar devotee Eli Sess created these protein packed truffle treats.

PB's online community

Get tips, support and inspiration from the PB squad. Join now.

Answers and advice

PB answers individual questions on nutrition and exercise here.

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Our Products

PB has developed a range of protein bars and protein powders that are unique. Not only is each portion packed with enough protein to repair and rebuild muscle after a workout, but it tastes delicious. In addition, each serving satiates and keeps blood sugar levels stable until the next mealtime.

Protein bars

As well as our peanut-based protein bars, we have also developed a range of bars using almond and cashew nut butters. Each bar combines nut butter with whey powder and flavouring.

Peanut Protein Bars

Our range now comes in 16 delicious flavours (click here for full details), all of which are available throughout the year. In addition, we offer special flavours for a limited time throughout the year. We make our own peanut butter in-house using locally-sourced peanuts. This ensures quality and freshness.

Almond Protein Bars and Cashew Protein Bars

Both types of bar are available throughout the year in 12 sensational flavours (click here for full details). These bars have a soft creamy texture. In 2024, our Blackberry blast flavour won the prestigious Sports nutrition bar award.

Our bars are sold through gyms and other leading retailers as individual bars or in packs of ten bars as well as through this website (click here to shop).

Protein powders

Although our protein powders contain the same high nutritional content as other leading brands, they taste entirely different. PB protein powders mix easily with water (or milk) and have none of the gritty or chalky residue that other brands have. In fact, they taste like the best thick creamy milkshake! Available in 7 dreamy flavours (click here for full details and to shop), with a further 3 planned for late 2025.

All of our products are made from high-quality whey powder sourced locally. All of our products are gluten free.

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Our Story

PB was founded in 2019 by three women who, craving a perfect post-workout snack, developed the first PB bar in their kitchen at home. When they failed to find a suitable company to make the bar on their behalf, they invested every cent they owned (or could borrow) and manufactured the bar themselves. The rest, as they say, is history. All three founders are dedicated to their products and work full time at PB.

The founders



Managing Director: Hema Bhatt

Hema represented Ceeland in the 64kg weightlifting category in the 2012 Olympic games. She qualified as a mechanical design engineer in 2013 and worked in this role for various companies until 2019, when she gave everything up to work full time for PB. Hema used her engineering skills to upgrade the second-hand manufacturing machinery to produce the first PB bars and has since found practical solutions to many different business problems.



Finance Director: Julia Matthews

Julia worked in the food industry as a development chef for many years. There is very little that Julia does not know about great-tasting food! Julia loves a challenge and also qualified as an accountant in 2009. Julia is the first to admit she is a chocoholic and after she qualified found herself very overweight. She joined a gym and discovered that she loved workouts as much as she did desserts (well almost). It was Julia who created the now famous 3PB.



Sales & Marketing Director: Penny Sanchez

Penny's career started in events management when she left school at 16. To the amazement of her teachers and parents, Penny proved to be a natural when it came to marketing and secured a senior position in a top corporation before she was 30. Penny has endless energy and enthusiasm, she trains 6 days a week, is at her desk for 6.30 am and answers every question posed by PB customers personally. Penny is PB's powerhouse.

The founders are passionate about nutrition, health and happiness. For them, this is what PB stands for: helping people to achieve their personal best.

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Everybody in Ceeland (except maybe those hiding in a floatation tank) has been following the life story of the fabulous Della Moss. Della hit our TV screens as a reality-show contestant back in 2017 and is now the best-known TV presenter in Ceeland. I met with Della this week to ask her how she manages to exercise during her gruelling filming schedule and how she managed to maintain her weight loss (famously Della lost 30kg after winning "Personality Shines").

Turns out that Della is a huge PB fan and that she lost weight using our original 3PB (Personal Best's Peanut Butter Protein Bar) as a replacement for meals. She raves about our products as post-workout "must haves", regularly has a PB protein powder as a breakfast shake and has a few incredible PB recipes too. Della told me why her new partner, super vet Stuart Lamb, is THE ONE. Wedding bells soon? Click here to listen to the full interview and find out.

AT LAST, the results of the PB new product poll are in. We asked you to tell us what you want us to add to the PB range in 2025 and thousands of you replied.

Drumroll please  the winner is ……..well we have joint winners:

- A PB protein biscuit. You told us that you would love us to make a baked treat, high in protein, low in calories and delicious.
- A vegan PB range. It would be made using vegan whey protein powder (pea and rice protein) rather than dairy whey protein powder. Julia was particularly keen on this range as not only would it allow vegans to benefit from PB's expertise but it would suit those who are lactose-intolerant.

We are working on raising finances for these exciting new products and will keep you posted!!!

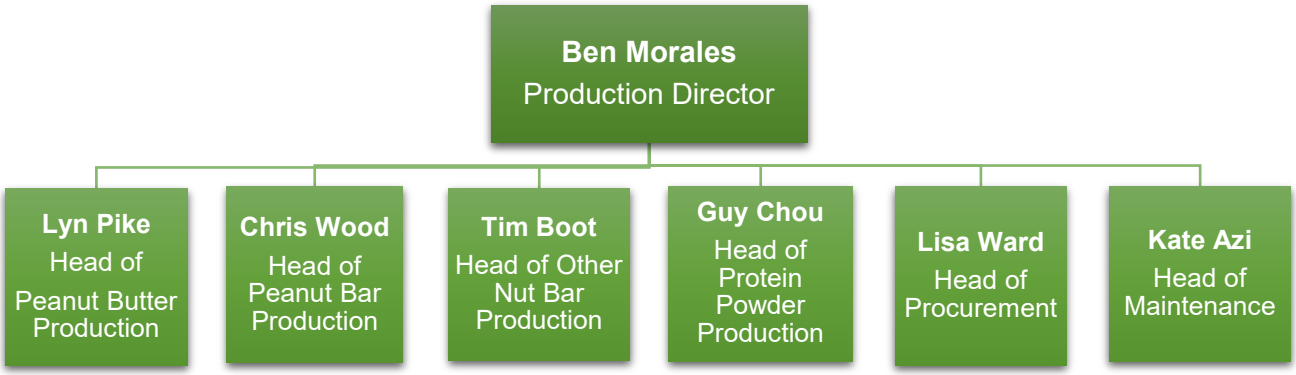
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Q. What specific actions do you take to minimise waste and harm to the environment while making peanut butter?

A. We buy our peanuts locally, rather than importing them from South America, reducing the food miles as far as possible. In addition, the natural wastage from the production process is never sent to landfill. Our peanut skins are sold to farmers and peanut hearts sold for birdfeed. In addition, we use no artificial preservatives. Our peanut butter is made from peanuts and a small amount of salt.

Key management teams

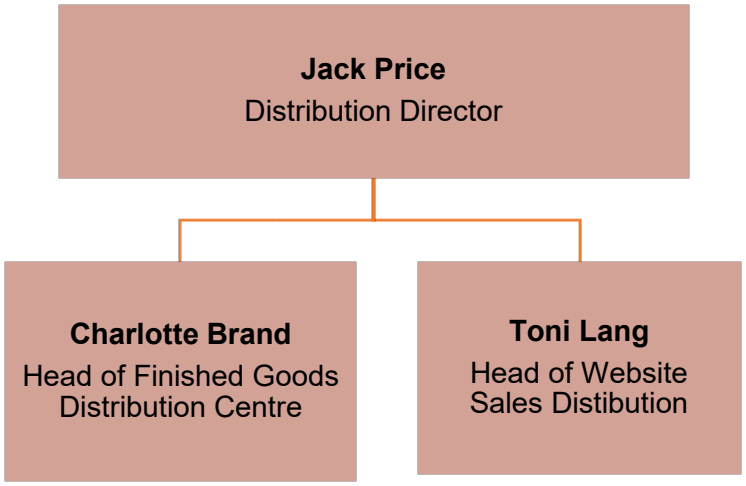
Production



The largest department in terms of employees, the production team, is also the most complex to manage. Ben Morales was recruited as Production Director in 2020, when demand for PB accelerated and the founders realised the business would fail without more formal organisation and someone with large-scale production experience. Ben worked in food manufacturing for 11 years before joining PB and has introduced many efficiencies in the Protein Bar and Protein Powder Production Departments. Due to financial constraints, Ben has yet to make any significant improvements to the Peanut Butter Production Department, which is still using the machines that were nearing the end of their useful life when Hema bought them second hand in 2019.

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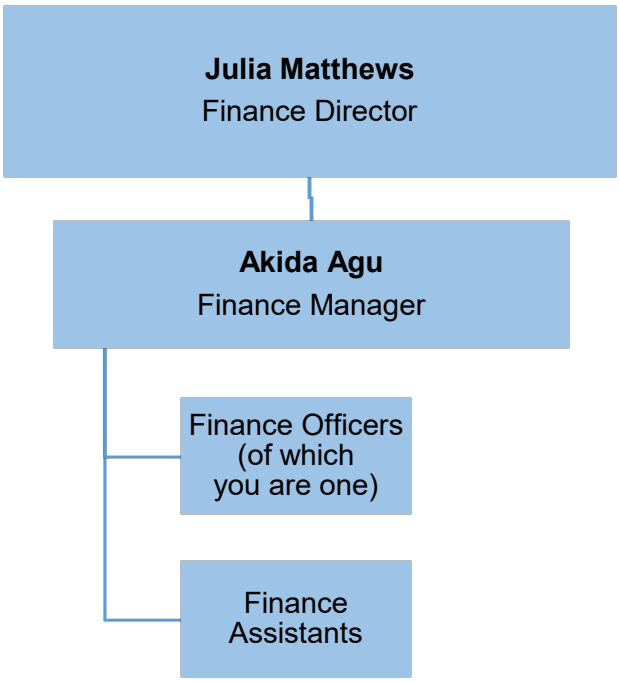
Distribution



Jack Price is responsible for the Distribution Centre. He was recruited at the same time as Ben Morales, when PB was finding it impossible to produce and ship enough bars to satisfy demand. Prior to joining PB, Jack worked for 7 years as a logistics manager for a distribution company that specialises in perishable goods. Jack has installed many new systems since joining PB and is keen to ensure that the company continues to grow.

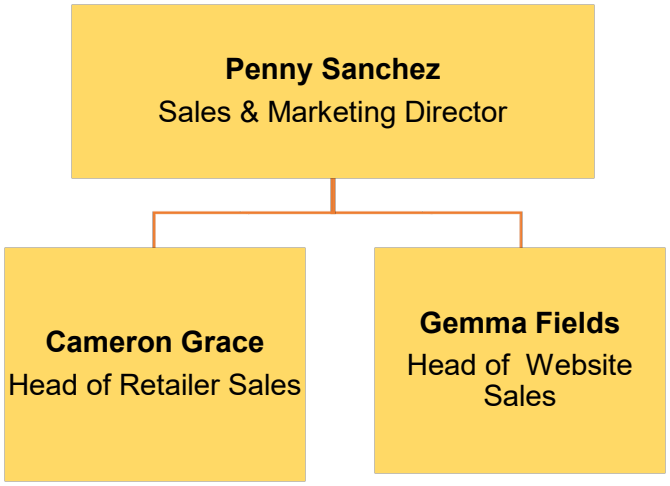
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Finance



Although Julia Matthews is very hands-on and remains quite closely involved in some day-to-day finance matters, Akida Agu is responsible for most of the management accounting information and reports produced, as well as the preparation of the financial statements. There are two Finance Officers and three Finance Assistants working in the Finance Department.

Sales & Marketing



The sales & marketing employees work extremely closely as a team and are always finding new ways to promote PB as well as to maintain and build relationships with the existing clients.

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Extract from the employee induction manual: Overview of the manufacturing process

Introduction

We have four distinct manufacturing areas: peanut butter production, peanut butter bar production, other nut (almond and cashew) bar production and protein powder production.

The peanut butter manufacturing process

Shelled, raw, dried peanuts travel through a hot air roaster (roasting oven) which is heated to 200°C. The peanuts are agitated continuously to ensure an even roasting while on the roasting conveyer belt. Although we believe that minimal processing is healthiest, this process releases the natural nut oil that we need for our PB bars.



After roasting, the peanuts are cooled rapidly using industrial fans. This process is critical, as it halts the cooking process and prevents the nut oil from being lost and wasted.



When cooled, the peanuts go through a blanching machine. This removes the outer skin by rubbing the peanuts between rubber belts. It also splits the kernels and removes the bitter-tasting heart of the peanut.



The peanuts are added to a grinder where they are ground into a paste. All our PB bars use peanut butter with the same texture. At this stage, we add sea salt (the only added ingredient). The finished peanut butter is removed from the grinder where it is stored in tubs until needed in the PB protein bar manufacturing process.

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The protein bar manufacturing process

Although the peanut bars are made in a different part of the facility to the other nut bars, the manufacturing process for all types is identical. This process is essentially a “blending” exercise, as we believe less processing means a healthier product.

Weighing: Ingredients for a specific recipe are weighed and added to the mixing bowls. Production of each different flavoured bar is determined by a weekly production plan.

Mixing: The mixing bowls containing the ingredients are attached to the mixing machine. Some recipes require a longer mixing time, and others require that additional ingredients are added during the mixing process (for example, some soft fruit).

Extrusion: The bar-mix is transferred to a hopper and extruded onto a conveyer belt in continuous bar lengths. Further along the belt, the continuous-length bars pass through a cooling unit before being cut into individual portion length.

Packaging: The individual bars continue on the conveyer belt, before being encased in multi-layered metalized film. The film contains the PB logo, bar flavour and nutritional information. The individually wrapped bars are then placed manually in boxes baring PB brand information and the bar flavour.

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The protein powder manufacturing process

The protein powder manufacturing process is less complicated than the other production processes.

Weighing: Each flavour of protein powder has a recipe that requires dried ingredients (whey powder, flavouring and preservative and so on) to be weighed in exact quantities. The weighed ingredients are contained in separate tubs and passed to the next process.



Blending: The tubs of weighed ingredients are emptied into a sieve, in a specific order, and pass into a container in the blending machine. The sieve helps to break the ingredients down, making them easier to blend. The blending machine then rotates the container long enough to ensure the ingredients are fully homogenised. The blending machine container is detached and sealed.



Filling: The container is moved to the filling station where a tube is connected to link it to the filling hopper. Open pouches travel along a conveyer belt beneath the filling hopper and the appropriate weight of protein powder is automatically deposited into them. A wooden measuring scoop is then added to each pouch. Finally, the pouches are heat sealed.



Packaging: Each pouch has the PB logo, flavour and nutritional information printed on it. The pouches continue to the end of the conveyer belt where they are packed into boxes of 20, ready for retail.

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Other information about company operations

Production Facility

All PB products are manufactured at the company's single Production Facility. Peanut butter, Peanut Protein Bars, other nut Protein Bars and Protein Powder are made in different locations within the Production Facility. There is capacity at the facility for further expansion.

The Production Facility site also includes a Raw Materials Warehouse, a Distribution Centre and offices for the senior management team and administration staff.

Purchasing and suppliers

The raw material inputs to the production process are:

Whey powder	Whey is a by-product of the cheese-making process. Liquid whey is dehydrated to make whey powder. High-quality whey powder is purchased from suppliers local to PB's own Production Facility and is the most important raw material of every PB product. PB has established excellent relations with a few trusted suppliers.
Peanuts	Peanuts are purchased raw, dried and shelled. Peanuts are sourced within Europe from a single supplier that PB has used since the start of its peanut butter production in 2019. The supplier is a farmer who allows PB extremely favourable credit terms. Order quantities are determined using the economic order quantity model.
Nut butters	Almond and cashew nut butters are readily available from a number of different suppliers. Almond nut butter is made extensively in Spain, Europe and so as far as possible this is sourced from suppliers in Spain. Cashew nut butter and the remaining almond nut butter has to be imported from South America and Asia. PB buys nut butter in bulk to take advantage of volume discounts, which is possible as these products have a long shelf-life.
Protein powder flavouring	This flavouring is a highly technical mix created in a lab. Developing and batch-replicating the right powder to mix with the whey is more chemistry than creative cooking and this is entrusted to a single company. Julia Matthews worked for this company when she left university.
Other raw materials	Stevia, sucralose, soluble corn fibre, sea salt, erythritol, dried berries and other flavourings are purchased from a large number of suppliers via competitive tenders. Where possible, longer life raw materials (stevia, sucralose, sea salt) are bought in bulk to take advantage of volume discounts.
Packaging and accessories	All wrappers, pouches and retail boxes are customised to include PB's logos and design. These products are an important part of the brand identity, and care is taken to ensure that the quality is right. The more general packaging, scoops and stationery are sourced based on lowest price.

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Note: The price of nuts, nut butters and a large number of flavourings can fluctuate in price due to exchange rates, harvest yields and/or the time of year. PB's credit payment periods range from 30 days to 75 days.

Sales markets and sales channels

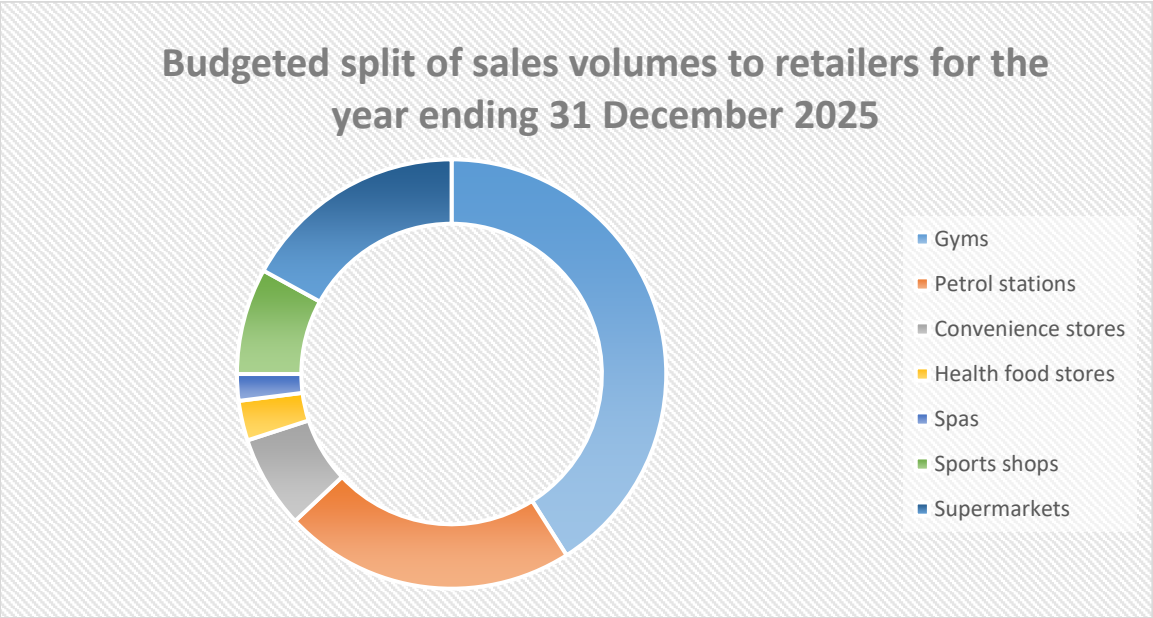
PB currently sells its products via selected retailers in Ceeland and direct to customers in Ceeland through its own website. The company does not currently sell any of its products outside of Ceeland.

At present, PB does not have a physical presence (manufacturing, distribution or sales office) in any country except Ceeland. However, awareness of PB products in other countries has grown due mainly to online magazine articles and social media influencers. A team of sales managers has recently been sent to Meland (a large European country a significant distance from Ceeland, which uses the C$) with a view to expanding the PB brand presence there. This team will be headed by a divisional manager responsible for generating profit in Meland. The intention is to rent a small distribution centre that will be fully operational from 1 January 2026.

Ceeland Retailers

PB began trading by selling its first product, 3PB (Personal Best's Peanut Butter Protein Bar), via local gym chains. By the time PB secured its first national gym chain contract, demand for 3PB exceeded all expectations and other, more diverse, organisations were contacting PB asking to retail the bars.

PB currently sells its full range of products via retail outlets such as: gyms, petrol stations, convenience stores, specialist health food stores, spas, sports shops and (more recently) supermarkets. In the year to 31 December 2025, it is expected that 60% of PB's sales volume will be through retailers.



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Website

In the year to 31 December 2025, it is expected that PB will sell 40% of its total sales volume through the PB website. The website not only offers visitors the full range of PB products for purchase, but also an extensive interactive information source. There is a community section with various discussion threads centred around fitness, diet and wellbeing, a recipe page, links to various websites that are likely to appeal to the PB market, Penny's Page (a PB blog) and nutritional and allergy information relating to all products.

Distribution Centre and logistics

The company has a small Distribution Centre on the same site as the Production Facility, in which finished goods are stored. From here, goods are shipped to retailers and to website customers. Currently, PB uses a third-party logistics company to transport goods to retailers. Third-party couriers are used to deliver to website customers.

Employees

PB had the following number of employees on 31 December 2024:

	Number
Production	110
Distribution	21
Head Office	28
	159

Standard costing and budgets

The company operates a standard absorption costing system using departmental overhead absorption rates based on either direct labour hours or machine hours. Standard cost cards are updated annually. Standard costs are used for the purposes of valuing inventory in the financial statements.

Budgets are prepared annually on an incremental basis. Although many new operational managers have been recruited in the past 2 years, they have limited involvement in budget setting. At present, Julia Matthews sets the budgets for all departments (with help from members of the Finance Department), as she has done since PB was formed.

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Financial statements for the year ended 31 December 2024

Personal Best

Statement of profit or loss for the year ended 31 December 2024

	2024 C$000	2023 C$000
Revenue	23,867	19,741
Cost of sales	(15,442)	(13,086)
Gross profit	**8,425**	**6,655**
Selling, distribution and marketing costs	(4,916)	(4,008)
Administrative expenses	(1,900)	(1,830)
Operating profit	**1,609**	**817**
Finance costs	(416)	(428)
Profit before tax	**1,193**	**389**
Income tax expense	(301)	(99)
Profit for the year	**892**	**290**

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Personal Best

Statement of financial position at 31 December 2024

	2024 C$000	2024 C$000	2023 C$000	2023 C$000
ASSETS				
Non-current assets				
Property, plant and equipment	6,920		7,860	
Right-of-use assets	1,302		1,470	
		8,222		9,330
Current assets				
Inventory	1,140		1,004	
Trade receivables	2,395		1,817	
Prepayments and other receivables	260		192	
Cash and cash equivalents	730		0	
		4,525		3,013
Total assets		**12,747**		**12,343**
EQUITY AND LIABILITIES				
Issued C$1 equity share capital	300		300	
Share premium	834		834	
Retained earnings	1,534		642	
Total equity		2,668		1,776
Non-current liabilities				
Borrowings	5,000		5,000	
Lease liability	986		1,112	
		5,986		6,112
Current liabilities				
Overdraft	0		1,116	
Trade payables	2,750		2,291	
Accruals and other payables	916		823	
Tax liability	301		99	
Lease liability	126		126	
		4,093		4,455
Total equity and liabilities		**12,747**		**12,343**

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Personal Best

Statement of cash flows for the year ended 31 December 2024

	2024 C$000	2024 C$000
Cash flows from operating activities		
Profit before tax		1,193
Adjustments		
Depreciation for property, plant and equipment	1,234	
Depreciation on right-of-use asset	168	
Finance costs	416	
		1,818
Movements in working capital		
Increase in inventory	(136)	
Increase in trade and other receivables	(646)	
Increase in trade and other payables	552	
		(230)
Cash generated from operations		**2,781**
Tax paid		(99)
Interest paid		(416)
Net cash inflow from operating activities		**2,266**
Cash flows from investing activities		
Purchase of property, plant and equipment	(294)	
Net cash outflow from investing activities		(294)
Cash flows from financing activities		
Repayment of lease principal	(126)	
Net cash outflow from financing activities		(126)
Net increase in cash and cash equivalents		**1,846**
Cash and cash equivalents at the start of the year		(1,116)
Cash and cash equivalents at the end of the year		**730**

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Budget information for the year ending 31 December 2025

Total budgeted gross profit

	Protein bars C$000	Protein powders C$000	Total C$000
Sales revenue	21,437	6,512	27,949
Cost of sales	(13,842)	(3,945)	(17,787)
Gross profit	**7,595**	**2,567**	**10,162**
Gross profit margin	35.4%	39.4%	36.4%

Protein bars (sold in boxes of 10 bars)

Sales revenue

	Peanut	Almond	Cashew	Total
Sales volumes (number of boxes):				
Website	268,000	116,000	80,000	464,000
Retailers	402,000	174,000	120,000	696,000
Total	**670,000**	**290,000**	**200,000**	**1,160,000**
Average sales prices per box:	**C$**	**C$**	**C$**	
Website	21.00	21.00	21.00	
Retailers	16.80	16.80	16.80	
Sales revenue:	**C$000**	**C$000**	**C$000**	**C$000**
Website	5,628	2,436	1,680	9,744
Retailers	6,754	2,923	2,016	11,693
Total sales revenue	**12,382**	**5,359**	**3,696**	**21,437**

Cost of sales

	Peanut	Almond	Cashew	Total
Total sales volumes	670,000	290,000	200,000	**1,160,000**
Production cost per box:	**C$**	**C$**	**C$**	
Raw materials	5.66	7.91	8.02	
Direct labour	3.00	2.60	3.00	
Variable production overhead	0.49	0.43	0.50	
Fixed production overhead	1.99	1.73	2.00	
Total cost per unit	**11.14**	**12.67**	**13.52**	
	C$000	**C$000**	**C$000**	**C$000**
Total cost of sales	7,464	3,674	2,704	**13,842**

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Protein powders

Sales revenue

	Size of pouch		Total
	0.5 KG	1 KG	
Sales volumes:			
Website	40,000	60,000	100,000
Retailers	60,000	90,000	150,000
Total	**100,000**	**150,000**	**250,000**
Average sales prices:	**C$**	**C$**	
Website	20.00	36.00	
Retailers	16.00	28.80	
Sales revenue:	**C$000**	**C$000**	**C$000**
Website	800	2,160	2,960
Retailers	960	2,592	3,552
Total sales revenue	**1,760**	**4,752**	**6,512**

Cost of sales

	Size of pouch		Total
	0.5 KG	1 KG	
Total sales volumes	100,000	150,000	250,000
Production cost per unit:	**C$**	**C$**	
Raw materials	4.26	7.51	
Direct labour	1.00	2.00	
Variable production overhead	1.00	1.99	
Fixed production overhead	3.98	7.97	
Total cost per unit	**10.24**	**19.47**	
	C$000	**C$000**	**C$000**
Total cost of sales	1,024	2,921	**3,945**

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Example standard cost cards

Peanut Protein Bar (box of 10 bars)				
	Quantity / hours	**Standard price / rate C$**	**Standard cost C$**	**Standard cost C$**
Materials:				
Peanuts	0.38 KG	1.00 per KG	0.38	
Whey powder	0.30 KG	1.25 per KG	0.38	
Flavourings and other ingredients			3.70	
Packaging			1.20	
Total				**5.66**
Direct labour:				
Peanut butter production	0.05 hours	20.00	1.00	
Protein bar production	0.10 hours	20.00	2.00	
Total				**3.00**
Variable production overheads:				
Peanut butter production	0.15 MH*	1.09	0.16	
Protein bar production	0.10 DLH*	3.33	0.33	
Total				**0.49**
Fixed production overheads:				
Peanut butter production	0.15 MH*	4.38	0.66	
Protein bar production	0.10 DLH*	13.34	1.33	
Total				**1.99**
Total production cost				**11.14**

Protein Powder 0.5 KG				
	Quantity / hours	**Standard price / rate C$**	**Standard cost C$**	**Standard cost C$**
Materials:				
Whey powder	0.53 KG	1.25 per KG	0.66	
Flavourings and other ingredients			2.10	
Packaging			1.50	
Total				**4.26**
Direct labour:				
Powder production	0.05 hours	20.00	1.00	
Total				**1.00**
Variable production overheads:				
Powder production	0.20 MH*	4.98	1.00	
Total				**1.00**
Fixed production overheads:				
Powder production	0.20 MH*	19.92	3.98	
Total				**3.98**
Total production cost				**10.24**

* MH is machine hours and DLH is direct labour hours.

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Notes on standards and budget preparation

1. Standards are reviewed and updated annually.
2. Normal raw material losses are included in the standard cost of each product.
3. All direct labour overtime premium is treated as variable production overhead.
4. Idle time is not budgeted for.
5. Production overheads are allocated and apportioned to production cost centres and absorbed on either a direct labour hour or a machine hour basis.

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Extracts from Senior Management Team meeting minutes

Date: 2 April 2025
Present: Hema Bhatt, Penny Sanchez, Julia Matthews, Ben Morales, Jack Price
Agenda point 2: New products

PB Protein Biscuit

a. Julia confirmed that finance for production of the new Protein Biscuit range is secured and the SMT agreed to launch mid-October 2025 as planned.
b. Penny reported that initial taste trials indicate the launch flavours should be peanut, chocolate and coconut. The sales volumes for coconut are expected to be half that of the other two flavours, but the SMT agreed that the range should be launched with three flavours.
c. Penny commented that the individually wrapped giant protein biscuits had the potential to appeal to a wider market than our existing fitness segment. She believes this will be a benefit to PB as the brand is robust enough to extend into the general diet industry without diluting its niche appeal. Product launch plans to be finalised by end of June 2025.
d. Ben reported that the production space for the new product is now cleared and clean. Orders for the baking oven and other major machinery and equipment will be placed soon. Ben is confident that production will start in August, as provisionally scheduled at the last meeting, ready for the official October launch. He confirmed that, while baked products are new to PB, the process is relatively simple, and staff skilling will not be a major issue.
e. Jack referred to an incident this year where retailers did not have sufficient supplies of a new seasonal flavour PB bar when it was launched, due to a communication error between the marketing, production and distribution departments. He confirmed that this will not happen again but that any change in production schedule or launch date must be reported to him at the earliest opportunity.

PB vegan products

a. Penny confirmed that the new vegan range will be branded as PB-V and will be launched to the market in October 2025. She reported that, given the increase in veganism over the past few years, many gym chains have been offering these products for a few years. Supermarkets have been slower to focus on this market but are now starting to expand their vegan offerings. Therefore, there is still significant scope to build the PB-V customer base.
b. Penny reported that the range will initially consist of 12 flavoured protein bars with cashew nut butter as the base.
c. Ben confirmed that the new PB-V range will need its own Production Facility. It will be completely separate from the main facility to protect its vegan and lactose free status.
d. Ben reported that, whilst it has already been agreed that there will be a single supplier of the base vegan protein powder, this supplier still needs to be selected.

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Date: 6 May 2025
Present: Hema Bhatt, Penny Sanchez, Julia Matthews, Ben Morales, Jack Price
Agenda point 2. Future of the Peanut Butter Department

a. Ben stated that due to the age and inefficiencies of the machinery, the Peanut Butter Department was a drain on profit. He praised Lyn Pike for introducing weekly "cost-crunching" team meetings, where all members of the department compete for the 3PB award (Personal Best's Peanut Butter Profit Brainbox), but stated that this was not enough.
b. Ben said that the only way the department could add to the profitability of the business is to invest in new machinery and start selling peanut butter as a stand-alone product. He stated that, if the finance needed to buy new machinery could not be found, the only alternative was to close the Peanut Butter Department and buy-in peanut butter.
c. Ben presented key facts as follows:
    - The "cost-crunching" ideas implemented saved 1.5% of yearly cost.
    - The variable cost to make peanut butter in-house remains slightly more expensive than the cheapest buy-in option.
    - 94% of our customers rank sustainability in the top 3 reasons they buy PB products.
    - Further key facts were used to explain the cost drivers and inefficiencies within this department to prove that the current operation is not viable in the medium to long term.
d. Penny reported on the survey she undertook last month, at the request of the SMT. It revealed that 74% of PB's consumers would buy single serving sachets of peanut butter. This percentage increased to 91% when consumers were told that the innovative packaging for the sachets would be made from compostable plastic and waxed paper. Only 29% of PB's consumers thought they would buy PB peanut butter in a traditional 340g jar size, although this increased to 40% if the jars were made from glass. Penny also added that one of the consumers in the survey ran a guest house and thought the single serving sachets would be ideal for that business. Penny revealed the price points peanut butter would sell for in jars and sachets.
e. Julia confirmed that Ben's financial presentations were correct (having collaborated to help him produce them).
f. Julia also stated that selling the peanut butter in 30g sachets at the price point Penny suggested would be 10 times more profitable than selling it in jars.
g. Julia added that, although selling peanut butter in sachets alone would generate enough margin to match the investment in new machinery within 5 years, financing for the investment is not available at this time.
h. It was agreed that: manufacturing peanut butter in-house was a valued USP and the department should not be closed, that the SMT would revisit the plan to sell peanut butter in 6 months' time and that in the meantime Ben would continue to try and find more cost savings.

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Tax regime in Ceeland

- The corporate income tax rate to be applied to taxable profits is 25%.
- Unless otherwise stated below, accounting rules on recognition and measurement are followed for tax purposes.
- The following expenses are not allowable for tax purposes:
    - accounting depreciation
    - amortisation
    - impairment charges
    - entertaining expenditure
    - donations to political parties
    - taxes paid to other public bodies
- Tax depreciation allowances are available on all items of plant and equipment (including computer equipment) at a rate of 25% per year on a reducing balance basis. A full year's allowance is available in the year that the asset is acquired. Tax depreciation allowances are not available for property assets.
- Tax losses can be carried forward indefinitely to offset against future taxable profits from the same business.
- Sales tax is charged on all standard rated goods and services at a rate of 20%. Tax paid on inputs into a business can be netted off against the tax charged on outputs from that business. All businesses are required to pay over the net amount due on a monthly basis.

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This examination is structured as follows:

Task number	Time for task (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
1	45	1	4	(a) 28% (b) 24% (c) 24% (d) 24%
2	45	1	4	(a) 16% (b) 20% (c) 32% (d) 32%
3	45	1	2	(a) 64% (b) 36%
4	45	1	3	(a) 28% (b) 24% (c) 48%

Each task has a number of sub-tasks. An indication of how much of the time available for the task 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).

Today is 1 June 2025. A range of pre-made protein shakes, known as PB-Ready, has been developed and will soon be launched. These pre-made shakes will be available in a range of flavours in 0.5 litre bio-degradable bottles.

You receive the following email:

From: Akida Agu, Finance Manager
To: Finance Officer
Subject: Promotional campaign and budgeting for PB-Ready

To promote PB-Ready, a basic social media campaign is being planned. This will be supplemented by one of three additional promotional options, and the Senior Management Team (SMT) is meeting soon to discuss which of these to choose. Schedule 1 (attached) contains information about each option, including payoff and related statistical information.

Please prepare content for a briefing paper to the SMT in which you:

- Interpret the payoff and statistical information in Schedule 1.

[sub-task (a) = 28%]

- Apply a risk neutral, risk seeking and risk averse approach to the information in Schedule 1 and determine which of the three options would be chosen for each approach.

[sub-task (b) = 24%]

- Discuss the limitations of using these approaches and the information in Schedule 1 to make this decision.

[sub-task (c) = 24%]

Given the uncertainty over sales volume, we are considering using flexible budgeting for the PB-Ready range.

Please prepare additional content for the briefing paper to the SMT in which you:

- Explain how to construct a flexible budget for the PB-Ready range.

[sub-task (d) = 24%]

Akida Agu
Finance Manager
PB

Schedule 1: Additional promotional options

Payoff tables:

Option A: Decrease budgeted selling price by 5%

Change in sales volume	Probability	Possible outcome C$
+ 5%	0.2	593,850
+ 10%	0.7	650,700
+ 15%	0.1	707,550

Option B: Undertake an additional C$100,000 advertising campaign

Change in sales volume	Probability	Possible outcome C$
+ 5%	0.1	604,100
+ 10%	0.6	666,200
+ 15%	0.3	728,300

Option C: Undertake an additional C$200,000 advertising campaign plus increase budgeted selling price by 5%

Change in sales volume	Probability	Possible outcome C$
+ 5%	0.7	614,350
+ 10%	0.2	681,700
+ 15%	0.1	749,050

Statistical information:

Option	Expected value C$	Coefficient of variation
A	645,015	0.047
B	678,620	0.055
C	641,290	0.070

Notes:

- Budgeted profit for PB-Ready for the first 6 months of trading, excluding the impact of any additional promotional option, is C$642,000. This is based on a sales volume of 900,000 units.
- The possible outcomes included in the payoff tables above are profit for PB-Ready for the first 6 months of trading after adjusting for changes in selling price and additional advertising campaign costs. These possible outcomes are for different changes to volume.
- The probabilities have been estimated by Julia Matthews, Finance Director.

Operational Case Study - Candidate Name

Write the content for the briefing paper requested by Akida Agu in the box below.

Paragraph

Word Count : 0

End Exam | Previous | Next

Two days later, Akida Agu, Finance Manager, calls you and says:

"We have selected the supplier of the bio-degradable bottles for PB-Ready, and it has been suggested that the Economic Order Quantity (EOQ) model is used to determine our ordering policy. Based on initial assessments of the variables, I calculate that the EOQ is 42,000 bottles. The supplier has promised a lead time of 1 week from the date of order, and there is a possibility that we will be able to negotiate a bulk discount of 2% of purchase price if we order at least 75,000 bottles at a time.

Please prepare content for a briefing paper to the Senior Management Team (SMT) in which you:

- Explain what the EOQ of 42,000 means and describe the variables that will have been used to determine it.

[sub-task (a) = 16%]

- Discuss how the lead time of 1 week will affect our ordering process and how we would determine whether it would be advisable to order in bulk to take advantage of the discount available.

[sub-task (b) = 20%]

- Evaluate the suitability of using the EOQ model to determine our ordering policy for bio-degradable bottles.

[sub-task (c) = 32%]

Hema Blatt, Managing Director, has asked how PB-Ready finished goods inventory will be valued in our financial statements. Table 1 (which I will send you shortly) includes summary information about the product. PB-Ready will have a 7-week shelf life. Our policy will be to sell off any finished goods inventory with only a 2-week shelf life remaining to farmers as animal feed. Such inventory will be sold for C$5 per pack of 6 bottles. It will cost us C$0.80 per pack to distribute to the farmer.

Please also prepare content for a briefing paper to Hema in which you:

- Apply the provisions of relevant financial reporting standards to show how PB-Ready finished goods inventory will be valued in our financial statements."

[sub-task (d) = 32%]

Table 1: Summary information about PB-Ready

	Per pack of 6 bottles C$
Ingredients and packaging	2.72
Direct labour	1.20
Variable production overhead	0.90
Fixed production overhead	3.60
Total standard production cost	**8.42**
Variable selling costs	0.90
Share of fixed administrative costs	0.40
Profit	4.28
Selling price	**14.00**

Operational Case Study - Candidate Name

Write the content for the briefing papers requested by Akida Agu in the box below.

Paragraph

Word Count : 0

End Exam | Previous | Next

It is now October 2025 and you receive the following email:

From: Akida Agu, Finance Manager
To: Finance Officer
Subject: PB-Ready production variances and new key performance indicators

Production of PB-Ready started during August, meaning that September was our first full month of production. The Senior Management Team (SMT) has requested a report on the production variances for PB-Ready for September. Table 1 (attached) includes the direct labour and production overhead variances (the raw material variances were negligible and so have not been included). I have established the following information about PB-Ready production in September.

- Demand far outweighed our initial estimates and so production was considerably higher than budget.
- An additional mixing machine was purchased and installed at the start of the month. This machine is able to operate at a faster speed than the original machines.
- Additional direct workers were recruited at short notice. These workers were recruited from a local pasta sauce bottling plant. An additional production supervisor was also recruited.
- Significant overtime was worked.
- The bottling line was reset to work at a faster rate than originally planned. This resulted in a slightly higher level of wasted production due to damaged bottles.
- The mixing machines and bottling line were connected to their own solar power source at the end of the month. Installation and connection of the solar panels was budgeted to be completed in August. Solar power costs less than energy from the national grid.

Please prepare content for a report to the SMT in which you:

- Interpret each of the variances shown in Table 1 and provide possible reasons for their occurrence.

[sub-task (a) = 64%]

The SMT is keen to set up a key performance indicator (KPI) dashboard for PB-Ready and has asked for suggestions of appropriate KPIs to include related to sustainability in the production process.

Please prepare additional content for the report to the SMT in which you:

- Recommend three KPIs relating to the sustainability of the PB-Ready production process which would be suitable for inclusion in a dashboard. Please discuss how each KPI would be measured and justify why it would be appropriate.

[sub-task (b) = 36%]

Akida Agu
Finance Manager
PB

Table 1: Variances for PB-Ready production for September 2025

Variance	C$	
Direct labour rate	6,820	Adverse
Direct labour idle time	4,200	Adverse
Direct labour efficiency	10,400	Favourable
Variable production overhead expenditure	4,464	Adverse
Variable production overhead efficiency	5,580	Favourable
Fixed production overhead expenditure	11,200	Adverse
Fixed production overhead efficiency	22,320	Favourable
Fixed production overhead capacity	20,880	Favourable

Notes:

- Idle time is not budgeted for.
- Variable and fixed production overheads are absorbed on the basis of machine hours for the mixing and bottling process.

Operational Case Study - Candidate Name

Write the content for the report requested by Akida Agu in the box below.

Paragraph

Word Count : 0

End Exam | Previous | Next

A week later, you receive the following email:

From: Akida Agu, Finance Manager
To: Finance Officer
Subject: Beyond budgeting and environmental quality costs

We need to start work on the budget for 2026. The development and launch of PB-Ready is just one of many initiatives that the company has recently been undertaking. Other initiatives include the new Protein Biscuit and Vegan Protein Bar. Julia Matthews, Finance Director, recently attended a conference where she heard about beyond budgeting. She thinks this would be a good approach for the business to use, rather than our usual incremental approach.

Please prepare content for a briefing paper to the Senior Management Team (SMT) in which you:

- Discuss the features of a beyond budgeting approach and how we might apply these.

[sub-task (a) = 28%]

- Discuss the benefits to our business of using a beyond budgeting approach.

[sub-task (b) = 24%]

At the conference, Julia also attended a session on sustainability within the business. As you know, we have an aim to be carbon neutral within 4 years and have undertaken a number of initiatives this year to work towards this (details of which are included in Schedule 1, attached). Julia thinks that it would be helpful to formalise the way that we monitor our impact on the environment and has suggested that we start by reporting environmental costs based on the cost of quality framework. She would like to discuss this at the next SMT meeting.

Please also prepare content for the briefing paper to the SMT in which you:

- Discuss how environmental costs could be recorded in an environmental cost of quality report, illustrating your discussion of each category with an example of an environmental cost that we have incurred in 2025.

[sub-task (c) = 48%]

Akida Agu
Finance Manager
PB

Schedule 1: Sustainability-related initiatives in 2025

Power generation	Solar panels were installed and connected at the Production Facility in September. This generates on average 60% of the power needed in the Production Facility.
Smart metres	Smart metres were installed in the Production Facility in June. These smart metres allow us to monitor our electricity usage.
Cashew nut butter supplier	In August, an agreement was reached with a cashew nut farmer in Spain for sole supply of cashew nut butter. As part of the agreement, PB has committed to fund the replanting of cashew nut trees on the farm.
Waste whey powder	At the start of the year, we began to send out-of-date whey powder to a local farmer as animal feed, rather than sending it to landfill. The costs of transporting the out-of-date whey powder to the farmer are borne by PB.
Sustainability expert	On 1 October, an external sustainability expert was engaged to provide guidance on developing a sustainability plan for the business.

Operational Case Study - Candidate Name

Write the content for the briefing paper requested by Akida Agu in the box below.

Paragraph

Word Count : 0

End Exam | Previous | Next

This examination is structured as follows:

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4	45	1	4	(a) 32% (b) 20% (c) 24% (d) 24%

Each task has a number of sub-tasks. An indication of how much of the time available for the task 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).

Operational Case Study - Candidate Name

Today is 1 June 2025. PB's new vegan range, PB-V, will be launched in October 2025. Initially, the range will include only protein bars. A new PB-V Production Facility is currently being set up.

You receive the following email:

From: Akida Agu, Finance Manager
To: Finance Officer
Subject: Sales forecast and property-related expenditure

We need to establish a sales forecast for the new PB-V range. Penny Sanchez, Sales & Marketing Director, has obtained industry information about the volume of vegan protein bars sold in Ceeland over the last few years through different sales channels. I have used this to establish trend lines (Chart 1, attached) and seasonal variations (Table 1, attached).

Please prepare a briefing paper for the Senior Management Team (SMT) in which you:

- Interpret Chart 1 and Table 1 and explain what they indicate about sales of vegan protein bars in Ceeland over the last few years.

[sub-task (a) = 24%]

- Discuss any factors that will affect the accuracy of a sales forecast for PB-V based on the information in Chart 1 and Table 1.

[sub-task (b) = 28%]

We have incurred significant property-related expenditure on the new PB-V Production Facility, detailed in Table 2 (attached).

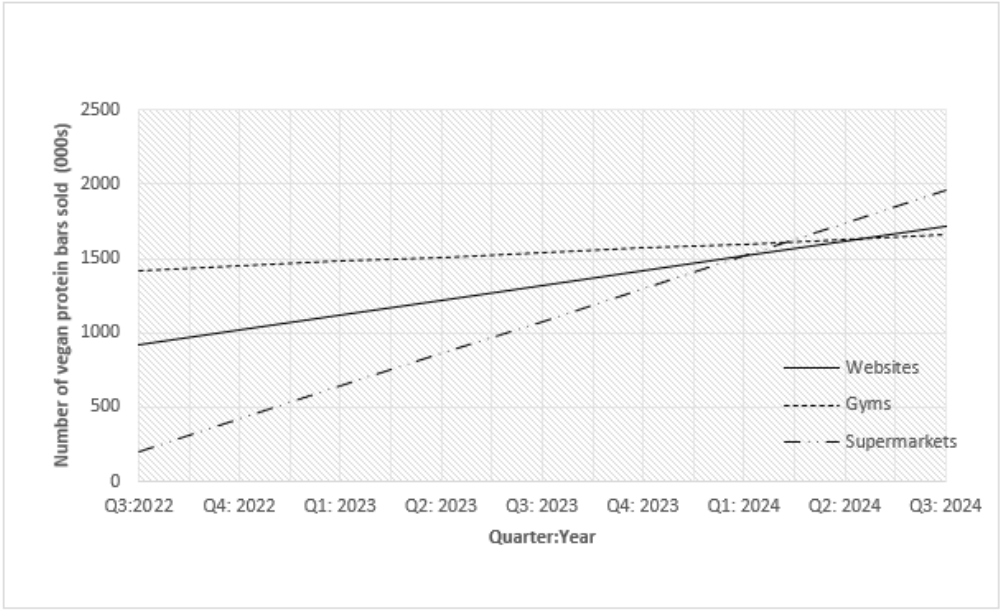
Please also prepare a briefing paper to the SMT in which you:

- Apply appropriate financial reporting standards to determine how the property-related expenditure in Table 2 will be initially recorded and subsequently measured in our financial statements for the year ending 31 December 2025.

[sub-task (c) = 48%]

Akida Agu
Finance Manager
PB

Chart 1: Trend line for each sales channel



Notes:

- Q1 is the period January to March and Q2 is the period April to June and so on.
- The trend lines were established by regression analysis using 4-point centered moving averages based on sales data for each sales channel. This sales data is for all types of vegan protein bar.

Table 1: Seasonal variations

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Average seasonal variations	+20%	+5%	-10%	-15%

Note:

- The seasonal variations above are the averages across all sales channels.

Table 2: Property-related expenditure on the new PB-V Production Facility

Item	Note	C$
Purchase of property	1	400,000
Property tax paid on purchase	1	40,000
Property adaptations	1	28,500
New roof	2	82,000
Property maintenance contract	3	25,000
Health & Safety inspection	4	2,400

Notes:

1. The property (which includes land and a building) was purchased on 1 April 2025 and has been adapted. We expect the building element of the property to have a useful life of 40 years.
2. The building required a new roof which will need to be replaced in 20 years' time.
3. C$25,000 has been paid to an external maintenance company to cover the period 1 April 2025 to 31 March 2026.
4. A Health & Safety inspection is required before we can legally operate. This will happen at the end of July but has already been paid for. An inspection of this nature will be required every 5 years.

Operational Case Study - Candidate Name

Write the briefing papers requested by Akida Agu in the box below.

Paragraph

Word Count : 0

End Exam | Previous | Next

It is now August 2025. Akida Agu, Finance Manager, calls you and says:

"The sales budget for the new range of PB-V Protein Bar for the period to December 2025 has been finalised and it indicates that we will have excess production capacity. Production will start on 1 October and we now need to focus on the production budgets. Tom Bilton, our new PB-V Production Manager, is to be involved with this. He has no experience of budgeting and so I need you to assist him. We have established the standard cost of raw materials for a box of each flavour of PB-V Protein Bar (Table 1, which I will send you shortly).

Please prepare a briefing paper for Tom in which you:

- Explain, with reference to the information in Table 1, how to construct the production, material usage and material purchases budgets for PB-V Protein Bars for the period ending 31 December 2025.

[sub-task (a) = 36%]

New equipment is currently being installed in the new PB-V Production Facility for the production of protein bars. The Senior Management Team (SMT) wants to engage an external company to provide equipment maintenance services. Two service providers have been short-listed: Robotics+ and Prestige Engineers. As part of evaluating the suitability of these service providers, the SMT wants to consider the financial stability of each, based on how it manages its working capital. Table 2 (which I will send you shortly) includes some financial information for both service providers.

Please also prepare a briefing paper to the SMT in which you:

- Analyse the information in Table 2 and use it to explain the approach taken by both Robotics+ and Prestige Engineers to manage its working capital. Please make reference to each element of the working capital cycle for each service provider.

[sub-task (b) = 40%]

- Recommend which service provider would be most suitable for us based on this analysis."

[sub-task (c) = 24%]

Table 1: Standard cost of raw materials

PB-V Protein Bars: Caramel flavour (box of 10 bars)			
Material	**Quantity**	**Standard price per unit of quantity C$**	**Standard cost C$**
Cashew nut butter	0.40 KG	6.00	2.40
Vegan whey powder	0.35 KG	1.40	0.49
Flavourings and other ingredients			3.60
Packaging			1.20
Total material cost			**7.69**

Note:

- The production budget is prepared on the basis of units of production, where a unit is a box of 10 bars.

Table 2: Information about Robotics+ and Prestige Engineers

	Robotics+	Prestige Engineers	Industry average
Inventory days	8 days	3 days	5 days
Receivable days	51 days	27 days	37 days
Payable days	26 days	68 days	34 days
Revenue	C$20 million	C$210 million	C$100 million
Change in revenue from prior year	+15%	+4%	+4%
Cash balance	C$0.5 million	C$3 million	C$1.7 million
Average number of customers	4	19	10

Note:

- The information is based on financial statements for the year ended 31 March 2025.

Operational Case Study - Candidate Name

Write the briefing papers requested by Akida Agu in the box below.

Paragraph

Word Count : 0

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It is now early December 2025. Akida Agu, Finance Manager, calls you and says:

"The Senior Management Team (SMT) has decided to add PB-V Protein Powder to the PB-V range in 2026. There are two options being considered: produce in-house or outsource. A potential supplier has already been identified which has provided a quote for a 12-month supply contract. If we produce in-house, we will rent the equipment required.

There is considerable uncertainty about how much PB-V Protein Powder we will sell. I have drawn up Chart 1 (which I will send you shortly), showing the total cost of PB-V Protein Powder for both options at different possible volumes of annual demand. I have also completed Table 1 (which I will also send you shortly), which shows our estimates of the probabilities associated with each potential volume of annual demand.

Please prepare a briefing paper for the SMT in which you:

- Interpret Chart 1 and explain what it indicates about the cost structure of the two options for the supply of PB-V Protein Powder.

[sub-task (a) = 20%]

- Apply a risk neutral approach to the decision and discuss the suitability of this approach with reference to the information in Table 1.

[sub-task (b) = 24%]

- Discuss how weighted benefit scoring would be applied to assist with this decision, giving examples of criteria that could be used.

[sub-task (c) = 24%]

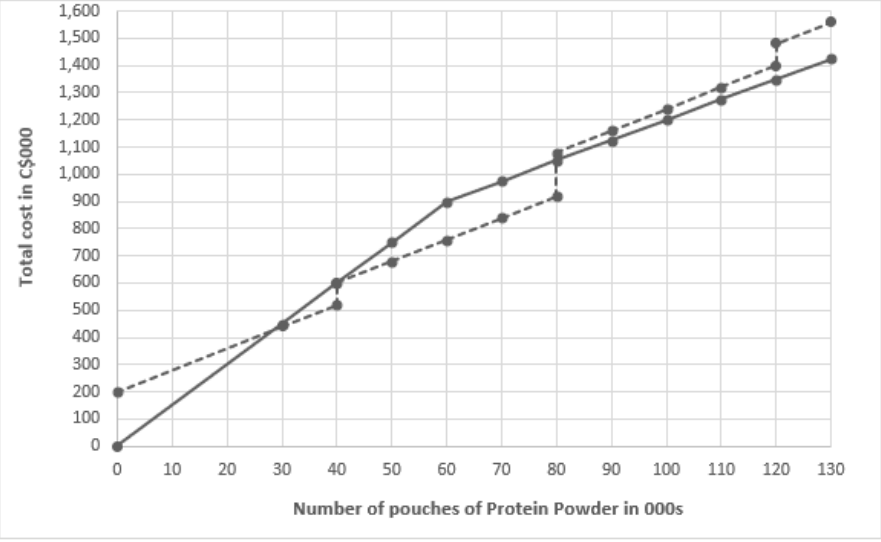
With respect to PB-V Protein Bars, the number of website orders has been lower than budgeted, which is disappointing given the significant social media marketing campaign that was undertaken in October and November. Included in Table 2 (which I will send you shortly) are some key performance indicators (KPIs) that relate to website sales.

Please also prepare a briefing paper for the SMT in which you:

- Interpret the KPIs shown in Table 2."

[sub-task (d) = 32%]

Chart 1: Cost of PB-V Protein Powder supply for the first year



Key:

- The solid line is the cost of outsourcing and the dotted line is the cost of producing in-house, at different levels of demand.

Table 1: Expected value of annual demand

Possible annual demand levels	Probability
30,000	0.02
40,000	0.02
50,000	0.03
60,000	0.06
70,000	0.12
80,000	0.30
90,000	0.24
100,000	0.10
110,000	0.06
120,000	0.03
130,000	0.02
Expected value of the volume of annual demand (in pouches)	**83,300**

Table 2: Key Performance Indicators for website sales

KPI	Actuals			Target*
	October	November		
Conversion rate (orders against visitors)	68%	52%		**60%**
Shopping cart abandonment rate	8%	5%		**10%**
Number of website orders received	9,200	8,500		**10,800**
Average website order value	C$42.50	C$40.00		**C$35.00**

*The same targets were set for October and November 2025.

Operational Case Study - Candidate Name

Write the briefing papers requested by Akida Agu in the box below.

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The next day, you receive the following email:

From: Akida Agu, Finance Manager
To: Finance Officer
Subject: Variances and cost of quality

Hema Bhatt, Managing Director, is in the process of looking in detail at how the new PB-V Production Facility is performing. She wants to look at the fixed production overheads for the PB-V Production Facility for November. Table 1 (attached) includes the information that will be used to calculate these variances.

Please prepare content for a briefing paper to Hema in which you:

- Explain how the fixed production overhead expenditure, efficiency and capacity variances for the PB-V Production Facility in November will be calculated based on the information in Table 1. Please also discuss whether each variance will be adverse or favourable and provide possible reasons for each.

[sub-task (a) = 32%]

- Discuss what further analysis would be useful to interpret the fixed production overhead expenditure variance based on Table 1 information.

[sub-task (b) = 20%]

In addition, Hema has recently read an article about cost of quality reporting and would like to know more about this and how this could be applied to PB-V production.

Please also prepare content for the briefing paper in which you:

- Discuss the distinction and interaction between non-conformance and conformance costs, with reference to the production of PB-V.

[sub-task (c) = 24%]

- Recommend actions that we could take to improve the overall impact of quality costs in respect of PB-V production.

[sub-task (d) = 24%]

Akida Agu
Finance Manager
PB

Table 1: Data for calculating the fixed production overhead variances for the PB-V Production Facility for November 2025

	C$
Budgeted expenditure	84,000
Actual expenditure	86,700
Overhead absorbed	78,400
Absorption rate per direct labour hour	28.00
	Number of boxes of bars
Budgeted production	30,000
Actual production	28,000
	Hours
Budgeted direct labour hours	3,000
Standard hours for actual production	2,800
Actual hours worked	2,920

Notes:

- The standards have not been changed since the original budget was set. Fixed production overheads are absorbed on the basis of direct labour hours.
- During November:
  - The new mixing equipment had to be slowed down as it became apparent that including vegan whey powder required a more careful mix than had been anticipated. This was discovered after complaints from a few customers about the consistency of the protein bars.
  - We bought additional weighing equipment because we had originally underestimated the amount of equipment required for production.
  - We recruited an additional supervisor. This was because the PB-V Production Manager decided to recruit a less experienced workforce than originally planned.
  - Several of the direct workers were absent for 2 weeks with influenza.

Operational Case Study - Candidate Name

Write the content for the briefing paper requested by Akida Agu in the box below.

Paragraph

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Operational Case Study Examination

Case Study Pilot Paper

Variant 1 Exam Answers

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VARIANT 1

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

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TASK 1

Interpretation of payoff and statistical information in Schedule 1

Payoff information

Three different additional promotional options are being considered, affecting either selling price or advertising spend or a combination of both. The impact of each of these options on sales volume is unknown. Therefore, Schedule 1 gives a payoff table for each option, with budgeted profit at three different sales volumes (showing increases of either 5%, 10% or 15% above the sales volumes that we expect without the promotional option).

Option A is to decrease budgeted selling price by 5%. The payoff table indicates that there is an 80% chance that this option will increase profit above that currently budgeted, as a result of increased sales volume more than compensating for the decrease in selling price.

Option B is to undertake an additional C$100,000 advertising campaign which will increase the level of fixed costs. The chances of a greater impact on volume sold appears to be slightly better than Option A as, with this option, there is a 90% chance that it will increase profit above that currently budgeted.

Option C is to undertake a larger additional advertising campaign compared to Option B, but to also increase selling price by 5%. The overall impact of this is expected to increase sales volume, although the probabilities of higher increases in volume are reduced. With this option, there is only a 30% chance that profit will be higher than the original budget.

Statistical information

The expected value for each option is calculated as the total of the weighted average of all possible outcomes, each weighted by the probability of that outcome occurring. This is an estimate of the average outcome on the assumption that this option is repeated many times. Option B has the highest expected value, which means that if we repeated the additional promotion time and time again, on average, this would give us the highest amount of profit, compared to Option A and Option C.

The coefficient of variation is calculated as standard deviation (a measure of the possible variations of the outcomes from the expected value and therefore a measure of risk) divided by expected value for each option. This gives the relative size of the risk when compared to the expected return and enables us to compare the risk and return associated with each option. Option A has the lowest coefficient of variation and is therefore the least risky of the three options. It should be noted though that the coefficients of variation measures do not differ that widely across the options.

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Application of decision-making approach

Risk neutral

Using a risk neutral approach, we would select the option with the highest expected value. This is Option B, which is to undertake an additional advertising campaign for C$100,000.

Risk seeking

Using a risk seeking approach, we would select the option which gives us the best result irrespective of the probability of it happening. We would therefore choose Option C, which is to undertake an additional C$200,000 advertising campaign and to also increase selling price by 5%, because this gives the best budgeted profit of C$749,050.

Risk averse

Using a risk averse approach, we would select the option which, given the same level of return, has the lowest level of risk. Here, we would choose the option that has the lowest coefficient of variation because this represents the amount of risk for each C$1 of profit. Here, Option A, decreasing selling prices by 5%, has the lowest coefficient of variation of 0.047.

Limitations

A limitation of using a risk neutral approach is that it assumes that this decision will be repeated many times, which means that the weighted average outcome is representative of the average outcome for all of these decisions over time. However, this is a one-off decision in respect of the initial launch of PB-Ready and, as such, will only have one possible outcome. For Option B, the actual outcome could be just under C$40,000 lower than the current budget, and there is a 10% chance of this happening. This probability is ignored with this approach and this is another limitation, in that risk is ignored.

This is also a limitation of a risk seeking approach because the probability associated with the option chosen is ignored in the decision. Here, a risk seeking approach would result in choosing Option C as this gives the best possible outcome. However, this ignores the fact that there is only a 10% chance of this occurring. This approach also ignores the fact that, if this option is chosen, there is a 70% chance of making a profit of C$614,350, which is lower than the originally budgeted profit of C$642,000.

Using a risk averse approach does consider risk because the decision is based on the coefficient of variation, which is a measure of risk per C$ of expected value. However, the reliability of this statistic, and indeed the expected value used by a risk neutral decision maker, is dependent on the accuracy of the data that it is calculated from. Different estimates for probabilities would change the expected values and therefore the coefficients of variation. This is especially relevant here, as the expected values and coefficients of variation are not that different.

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Flexible budgets

A flexible budget consists of a series of budgets showing revenue and costs for the new PB-Ready range at different activity levels. We have already prepared a budget at a sales volume of 900,000 units of PB-Ready for the first 6 months. A flexible budget will expand on this and include budgets at lower sales volumes and also higher sales volumes.

Constructing a flexible budget

The starting point to constructing a flexible budget is to separate all of the expected costs by cost behaviour. To do this, we would need to establish which of our costs are variable, semi-variable or fixed in nature. The semi-variable costs would need to be separated into their fixed and variable elements.

A variable cost will vary with the level of activity (in our case production). Our variable costs of production are direct materials, direct labour and variable overhead. We may also incur non-production variable costs, such as despatch costs for online sales. As well as calculating our unit variable costs, we would need to establish our expected selling price, factoring in any change that would occur if Option A or Option C were chosen. We would then flex our unit revenues and unit variable costs to reflect the expected total revenues and variable costs at different activity levels.

We would then deduct the expected fixed costs from the contribution to arrive at a budgeted profit for each of the selected activity levels. Our fixed costs include production and non-production overhead costs. Although fixed costs by definition do not vary with the different levels of activity, this only applies to a relevant range of activity. We would need to investigate if any of the fixed costs are stepped fixed costs, which would increase when a particular level of activity is reached; for example, if additional production equipment is needed. We would also need to factor in any additional promotional campaign cost if Option B or Option C were chosen.

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TASK 2

EOQ variables and what the EOQ means

The EOQ of 42,000 is the number of bottles that we should order each time that we place an order with our supplier. It is the economic order quantity because, at this level, the total of the costs of ordering and holding inventory are minimised.

The variables used to determine the EOQ are:

- The annual demand for bottles, which will depend on how many units of PB-Ready we expect to sell in a year.
- The cost of placing an order. This will include delivery costs charged by the supplier and internal administrative costs associated with the time taken placing an order and any ancillary costs.
- The cost of holding one bottle in inventory for 1 year. Holding costs will include warehousing costs (energy costs, insurance, staffing) and also the finance cost associated with the investment in working capital.

Dealing with lead time and bulk discounts

Lead time

Our supplier has promised a lead time of 1 week. Therefore, we will need to set a re-order point at a level of bottle inventory that equates to the amount we expect to use within this lead time of 1 week. This will be annual demand divided by 52 weeks.

Each time inventory hits this re-order level, we should place an order with the supplier. The idea here is that the order from the supplier will be received at exactly the same point in time as the inventory level reaches nil, such that inventory is replenished back up to the EOQ level.

Bulk discount

To determine whether the bulk discount should be taken up, we need to compare the total annual costs (the costs of purchasing the inventory, total holding costs and total ordering costs) based on alternative policies of ordering at the EOQ of 42,000 bottles at a time or ordering 75,000 bottles at a time.

At an order quantity of 75,000 bottles, total purchase cost will be lower compared to the EOQ policy because of the 2% discount. Ordering costs will also be lower because of fewer orders. However, holding costs will be higher because of a higher level of inventory. If the total of the different costs at an order level of 75,000 units is lower than the total at EOQ, this would indicate that an ordering policy based on accepting the bulk purchase discount is advisable.

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Suitability of the EOQ model

The EOQ is based on a number of assumptions: demand is constant and known with certainty; lead time is also constant and known with certainty (and therefore there is no buffer inventory); the purchase price is known and constant and holding costs vary with the level of inventory. As it minimises the total costs of ordering and holding inventory, the EOQ would be a good model to use for ordering bio-degradable bottles, as long as all of these assumptions applied.

The bio-degradable bottles will be used exclusively for our new PB-Ready range. Demand for bottles will therefore be driven by demand for PB-Ready. Given that we haven't even launched the range yet, there is considerable uncertainty over how much demand there will be. Therefore, at this stage, we cannot say that demand is certain. Additionally, the EOQ model assumes that inventory is used at a constant rate. Again, given that this is a new range, we cannot be sure that this will be the case. There could be seasonal factors which affect demand at different times of the year, or there could be factors affecting the pattern of demand such as the engagement of influencers for the product or changes in gym trends.

The new supplier has promised a lead time of 1 week; however, we need to consider how reliable this might be. If there is a chance that this may not be reliable, we can decide to hold a buffer level of inventory. This will increase holding costs (and therefore will not optimise the level of costs) but will help to protect us from running out of bottles if the supplier's lead time is more than 1 week.

In terms of purchase price, there is a possibility that we could negotiate a bulk purchase discount. This would therefore break the assumption about a constant purchase price. As discussed above, we can evaluate whether any discount is worthwhile, but if it is deemed worthwhile, this would mean ordering based on the minimum order quantity to achieve the discount rather than the EOQ.

Finally, it is unlikely that holding costs will vary with the level of inventory held. Holding costs include the costs of the warehouse and, as such, these costs are likely to be fixed in nature, rather than variable.

Overall, given that most, if not all of the assumptions of the EOQ are unlikely to hold for the bottles needed for our new PB-Ready range, it would appear that this is not a suitable model to use. If we use the model, we run the risk of running out of inventory, leading to issues for production and possibly lost sales. Alternatively, we could end up holding too much inventory and run the risk of the bottles being damaged in storage.

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PB-Ready finished goods inventory valuation in the financial statements

In accordance with IAS 2: Inventories, inventory should be valued in the financial statements at the lower of cost and net realisable value. Cost should include purchase cost, costs of conversion and any other costs necessary to bring the inventory to its present location and condition. Net realisable value is the selling price of the inventory in the normal course of business, less estimated costs of completion and any costs necessary for the sale to happen.

With respect to PB-Ready inventory, there will be two types: inventory for sale to customers (where the shelf life of the bottles is more than 2 weeks) and inventory for sale to farmers for animal feed (where the shelf life is less than 2 weeks). The cost of the inventory will be the same regardless of the type of inventory. IAS 2 allows the use of standard costs based on normal levels of production, as long as these standards are regularly reviewed and revised to reflect the latest conditions if necessary.

The cost of PB-Ready finished goods inventory will therefore include the following:

- Costs of purchase. Per pack of six bottles, this is the C$2.72 cost of ingredients and packaging which are the raw material inputs.
- Costs of conversion. This will include any costs directly related to production and a systematic allocation of production overheads. Therefore, per pack, we will include the direct labour cost of C$1.20, plus also the variable and fixed production overhead costs of C$0.90 and C$3.60, respectively. With respect to the fixed production overheads, IAS 2 states that this allocation should be based on normal production capacity and therefore we will need to ensure that this is the case.

For the inventory that we will be selling to our regular customers, the cost of C$8.42 per pack will be lower than net realisable value (which will be the selling price of C$14.00, less selling costs of C$0.90 per pack).

For the inventory that we will be selling to famers, the cost of C$8.42 per pack will be higher than net realisable value (which will be the selling price of C$5.00, less selling costs of C$0.80 per pack). Therefore, as soon as inventory is below a 2-week shelf life, its value will need to be adjusted down to net realisable value. The difference between this value and cost will be written off to profit or loss and reduce profit.

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TASK 3

Production variances

Direct labour variances

The adverse direct labour rate variance means that, on average, we paid our direct workers more per hour than our standard rate. Given the significantly higher level of demand compared to our initial estimates, we had to expand our direct workforce relatively quickly and, at short notice, recruited additional workers during the month from a local pasta sauce bottling plant. Therefore, a possible reason for this adverse variance is that we had to offer the new workers a higher rate of pay than our standard rate. We may also have needed to increase the wage rates to our existing workers for comparability.

The adverse direct labour idle time variance means that we paid our direct workers for hours when they were not being productive. We do not budget for idle time, and therefore this variance will always be adverse. A possible reason for worker idle time is that the new workers had to be trained on PB processes and procedures prior to starting work. This will have resulted in unproductive time that had to be paid for. In addition, the installation of the new mixing machine may have led to some workers unable to operate, which will also have contributed to idle time.

The favourable labour efficiency variance means that our direct workers took less productive time than we expected them to, based on our standard, to complete actual production. This means that our workers were more efficient than planned, when they were working productively. A possible reason for this is that, because the newly-recruited workers previously worked at a bottling plant, they are more experienced than the workers initially recruited for mixing and bottling and therefore work at a faster rate. In addition, the bottling line has been speeded up, which may have also speeded up the process for direct workers. Another possible reason could be that our initial standard was incorrect given that this is a new process. Alternatively, the pressure of having to produce significantly more than planned speeded up the rate of work.

Variable production overhead variances

The adverse variable production overhead expenditure variance means that we spent more on variable production overhead than we should have for the machine hours worked. There are two main reasons for this. Firstly, to allow for increased production capacity, overtime was worked and the overtime premium will have increased variable overhead. Secondly, production machinery wasn't connected to our own solar panels until the end of September, which meant that our power costs were more expensive than we had expected.

The favourable variable production overhead efficiency variance means that actual production took less machine hours than standard. As mentioned above, under the direct labour efficiency variance, our bottling line was speeded up in September in order to allow more units of PB-Ready to be produced. Our additional new mixing machine also works at a

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faster rate than standard, meaning that each pack of PB-Ready now takes less machine time to produce than we originally thought.

Fixed production overhead variances

The adverse fixed production expenditure variance means that, in September, more was spent than we had budgeted to spend. Fixed overhead includes a wide range of expenditure but, given that these are fixed costs, we would usually expect this to be consistent for a given level of activity. One reason for this variance is the additional fixed costs associated with the new mixing machine that we had not budgeted for. Another reason is the additional salary of the new supervisor.

The favourable fixed production efficiency variance measures the efficiency of the absorption base, which is machine hours, in the same way that the variable production overhead efficiency variance does. The favourable variance means that we used less machine hours to produce actual production than we should have based on standard. The reasons are the same as for the efficiency variance as explained above.

The favourable fixed production capacity variance means that more machine hours were available than budgeted, reflecting an increase in the capacity of the machinery. This increase in capacity arises from the additional mixing machine installed as well as the fact that machinery probably ran for longer periods due to significant overtime being worked.

KPIs for sustainability of the PB-Ready production process

Energy consumption per unit of production

This could be measured as the number of kilowatt hours (kWh) consumed in a week (or even possibly a day) divided by total production of PB-Ready for that week (or day). Energy use is a key driver of emissions that are harmful to the environment and, therefore, to be sustainable, we need to make our production processes as energy efficient as possible and be striving for continuous improvement. Measuring and monitoring overall consumption of the energy used in the process and aiming to reduce this, will focus workers, supervisors and managers involved in the mixing and bottling process to continuously improve.

Self-generated renewable energy consumption as a proportion of total energy consumed

This could be measured as the number of kWh used in a week or day from self-generated renewable power sources (our solar panels) divided by total number of kWh consumed, shown as a percentage. Generating and using renewable power from our own solar panels is better for the environment than using power from non-sustainable sources such as coal. We know that our self-generated power comes from a sustainable source (the sun), whilst power purchased from the national grid will be from a range of sources. The greater the proportion of self-generated power we use in production, the better for sustainability.

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Recycling/repurposing rate for wasted production

This could be measured as weight of wasted production recycled or repurposed divided by total weight of wasted production, shown as a percentage. We could have separate measures for raw materials, work in progress and finished goods. An important aspect of sustainability is to limit waste and that any waste is eliminated in a sustainable manner. Therefore, we should be aiming to recycle as much waste as possible. For example, bottles that are damaged on the bottling line should ideally be sent back to the supplier for recycling. Any of the shake mixture that fails quality standards should, where possible, be sold off (or even given) to farmers for animal feed rather than poured away. Waste that is not recycled or repurposed will either go into landfill or will work its way into the sewage system, thereby polluting the environment.

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TASK 4

The features of a beyond budgeting approach

There are three main features of beyond budgeting: the use of rolling budgets, participation in the budgeting process and the use of a wide range of performance measures.

Currently, we set our budget annually. A rolling budget is a budget prepared on a monthly or quarterly basis, where, as a period expires, a new period is added onto the end. This means that the budget will always look 12 months ahead and will be regularly updated to reflect the latest conditions and trading environment. Such an approach allows us to review and revise standards to reflect, for example, latest prices for whey powder and any steps required in fixed costs if sales demand for PB-Ready is even higher than already being considered.

Currently, we use a top-down approach to budgeting, where our annual budget is set by senior management with little input from other operational managers. If we adopted a beyond budgeting approach, this would change, as the people within the business with detailed knowledge would be involved in creating the rolling budgets. Therefore, the production managers for each area of production will be involved in determining the standards and budgets that they will be monitored against.

With a beyond budgeting approach, comparison of actual performance against the rolling budget (prepared by the managers with detailed knowledge), is just one small part of monitoring performance. With this approach, the focus is on a wide range of performance measures or key performance indicators (KPIs), including measures that focus on what our competitors do and set targets that drive competitiveness. This is important so that we can benchmark ourselves against competitors such as Megabuilda for protein powder and Shredders for protein bars.

Benefits to our business of a beyond budgeting approach

The use of rolling budgets means that our budgets will be more up to date and reflect current operating conditions. We are launching a lot of new products this year (PB-Ready, Vegan Protein Bars and Protein Biscuits), and the success of each of these launches is uncertain. A rolling budget will allow us to amend periods as we go through the year, once we have more of an idea of how a new range is performing.

Because of the rolling budget and the use of a wide range of performance measures, there is a greater focus on looking ahead and forecasting what might happen rather than looking backward at what has happened. Benchmarking ourselves against our competitors will give us greater insight into what they are doing and help us to foresee where we can get ahead. For example, we might be able to target new markets such as the diet market or gain a better understanding of the flavours that are most popular or successful promotional strategies that are being adopted.

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Involving all parts of the business in setting budgets and performance targets potentially means that those budgets and targets are more realistic. In addition, participation in the process should motivate our managers by giving them clear responsibilities and targets that they will have been involved in setting. This is particularly important if we bring in new managers with experience in, for example, the protein biscuit or vegan market.

Environmental quality cost reporting

Within an environmental cost of quality report, we will report our environmental costs as either conformance costs (prevention and appraisal) or non-conformance costs (internal failure and external failure).

Environmental prevention costs

These are costs that a business incurs to prevent damage to the environment happening in the first place. We recently installed solar panel at the Production Facility and the costs associated with installing and operating these solar panels are environmental prevention costs. The solar panels provide green energy and if we did not have them, we would be buying in electricity from the national grid, the generation of which would be creating carbon emissions. Generating our own green energy and using this in production reduces our impact on the environment.

Environmental appraisal costs

These are costs that a business incurs to assess whether it is complying with environmental standards and policies, whether these are internally or externally set. We have recently installed smart metres in the Production Facility, which provide information about our energy consumption. This information in turn allows us to assess and measure our impact on the environment and so the costs of installing and operating the smart metres are environmental appraisal costs.

Environmental internal failure costs

These are costs that a business incurs to rectify any environmental damage that it has caused so that the damage does not negatively impact the environment. Such costs are borne entirely by the business. At the start of the year, we started to transport out-of-date whey powder to a local farmer for use as animal feed, rather than sending the waste to landfill. Having out-of-date whey powder is a result of either poor procurement or production planning and is therefore a failure as it represents wasted resources. By transporting this waste to farmers where it can be used for another purpose, the waste is not being sent to landfill where it would have an environmental impact.

Environmental external failure costs

These are costs whereby either the environment suffers as a result of the business generating harmful impacts on the environment or the business incurs when there is harm to the environment. Our products use nut butter. We aim to select suppliers that do not use harmful chemicals in the growing and harvesting of nuts; however, farming of the nuts that we use is still likely to result in harm to the environment (for example soil erosion, emissions

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from the equipment used for harvesting). This harm is an external failure. We have committed to fund the replanting of cashew nut trees at our new cashew nut butter supplier and, as such, the cost of this represents an environmental external failure cost, as it is a cost the business will incur where there is harm to the environment.

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CIMA

Operational Case Study Examination

Case Study Pilot Paper

Variant 2 Exam Answers

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Variant 2

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

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TASK 1

Interpretation of Chart 1 and Table 1

The trend lines shown in Chart 1 represent the underlying long-term movement in sales volumes in each sales channel (websites, gyms and supermarkets) over the period covered by the lines (from quarter 3 in 2022 to quarter 3 in 2024). The chart indicates that in each sales channel there is an upward trend in sales, which is in line with the ever increasing popularity of veganism.

At the start of the period, we can see that gyms was the largest of the three sales channels and supermarkets the smallest. This has completely flipped over at the end of the period, indicating that the rate of growth through gyms is significantly lower than the rate of growth through supermarkets. This is probably a function of the fact that gyms were early to engage with vegan protein bars and built a customer base before 2022.

The fact that supermarkets is now the largest sales channel for vegan protein bars is not surprising given their relative size and their more recent engagement with veganism. Sales through websites has also shown an upward trend over the period, but at a steadier rate than supermarkets. This growth probably being fuelled by our competitors launching their own vegan bars.

The average seasonal variations shown in Table 1, represent the short-term fluctuations in sales volumes due to the season across all sales channels taken as a whole. The information indicates that in quarters 1 (January to March) and 2 (April to June) of each year, sales volumes are expected to be higher than the trend, and in quarters 3 (July to September) and 4 (October to December) lower than the trend.

These seasonal variations are not that significant but indicate that consumers have been buying more vegan protein bars than indicated by the trend in the first quarter of each year compared to the last quarter. This fits with consumers having good health intentions in a new year. The multiplicative model has been used, which is appropriate given that there is significant growth shown by the trend.

Factors affecting the accuracy of any sales forecasts using this information

To create a sales forecast for PB-V Protein Bars, we would need to extrapolate each of the trend lines outwards from the last period to establish a base figure and then adjust this for the seasonal variations. We then would need to further adjust this to reflect our share of the market.

The factors that will affect the accuracy of any forecast include:

The appropriateness of the trend lines. Each of the trend lines has been determined based on 4-point centred moving averages of sales data for the last few years. We have assumed that it is appropriate to have a single trend line for each sales channel across this period. However, it's possible that across the period there have been multiple trends in each channel, given that vegan protein bars are a relatively new product. For example, sales on

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websites are likely to increase each time that a company launches a range, and therefore representing this as a single trend line smooths out the effect.

Suitability of the raw data. The trend and seasonal variations data is based on raw data for all types of vegan protein bars. As we know, the protein bar market covers three main market segments: post-workout bars, diet bars and general snack bars. It's not clear though whether the same will apply to the vegan market as well. Therefore, estimating our market share of the total market may be difficult.

It ignores any cyclical or random factors which could affect sales in the future. These include general economic factors (such as a recession), one-off events (such as competitors launching new ranges) or changes in fashions (such as a reduction in the popularity of veganism as a result of a new health craze).

Impact of property-related expenditure on financial statements

Initially recorded:

The new property can be recognised as part of property, plant and equipment (PPE) within non-current assets in our statement of financial position because it is probable that we will obtain future economic benefits from its use (as a production facility) and we can reliably measure its cost (because this has already been incurred). In addition, the property is a tangible asset which we will use for more than 12 months.

IAS 16: Property, plant and equipment states that expenditure on an asset can be capitalised if it is part of its purchase price (which includes non-refundable purchase taxes) or is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating as management intends.

Therefore, the amount that we can initially capitalise as the cost of the property asset will include the C$400,000 purchase price and C$40,000 of property tax (on the assumption that this is non-refundable). It will also include C$28,500 for building adaptations and C$82,000 for the new roof, as these expenditures are necessary and therefore directly attributable to being able to use the property as our PB-V Production Facility. The Health & Safety inspection costs of C$2,400 can also be included as part of the initial cost of the property because this is a legal requirement.

The expenditure on the property maintenance contract of C$25,000 cannot be capitalised as part of the asset cost. This expenditure is for ongoing maintenance of the property and therefore is not incurred in order to get the property ready for its intended use. Instead, the expenditure should be expensed to profit or loss to match with the period of cover.

Subsequently measured:

Having established the initial measurement value of the property, we then need to consider how it will be subsequently measured. In accordance with IAS 16, all items of PPE (except for land) are depreciated from the date from which that item is available for use as intended by management. In addition, the standard states each part of an item of property, plant and equipment should be depreciated separately, although parts of an asset can be grouped

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together if they have the same useful life and the same depreciation method is to be used. Depreciation is the systematic allocation of an asset's depreciable amount (cost less any residual value) over its useful life. The depreciation method chosen should reflect the pattern of consumption of the benefits expected from the asset.

This has the following implications for our new property:

- We will need to establish how much of the property cost of C$400,000 relates to land and how much to the building, as only the building cost will be depreciated over its useful life of 40 years.
- Our property asset has three different parts that will need to be depreciated separately because they have different useful lives. The first part is the building itself (which will include the purchase cost, property tax and building adaptation costs) which will be depreciated over 40 years. The second part will be the expenditure of C$82,000 on the roof which will be depreciated over its useful life of 20 years. The third and final part will be the Health & Safety inspection costs which, given that there is a legal requirement for this every 5 years, should be depreciated over a 5-year useful life.
- Deprecation will start from the date on which the property asset is available for use as intended by management. Given that the inspection will be completed at the end of July, it is likely that 1 August will be the effective date from which depreciation will need to be calculated. Therefore, 5 months' worth of depreciation will be expensed to profit or loss for the year ending 31 December 2025.
- In terms of depreciation method, given that the benefits from the property are likely to be consumed evenly, the straight-line method of deprecation is most appropriate. Therefore, for each part of the asset, the depreciation charge for the year ending 31 December 2025 will be calculated as cost less any residual value divided by the appropriate useful life multiplied by 5/12. These deprecation charges will reduce the carrying amount of the asset in the statement of financial position and reduce profit for the year.

With respect to subsequent measurement of the property maintenance contract cost, given that the period of cover runs from 1 April 2025, for a year, this means that C$25,000 x 9/12 will be charged to profit for the year ending 31 December 2025. A prepayment of the difference between this and the amount paid will be recognised as part of current assets in the statement of financial position at 31 December 2025.

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TASK 2

Production and materials budgets

To construct the functional production and materials budgets, we need to firstly determine the principal budget factor, which is the factor which sets the limit on the level of activity in the budget period. In our case, given that we will have excess production capacity, the principal budget factor is sales.

Production budget

The first budget to be completed will be the production budget itself. This will show the number of boxes of each type of PB-V Protein Bar to be produced each month. This production level should be sufficient to ensure that sales demand is satisfied and to allow for planned changes in finished goods inventory levels. In assessing the appropriate level of inventory, we will need to consider a number of factors, including the need to hold a buffer because of uncertainty in our forecast and any lead times that we may have promised our retailers.

For the first month of production in the new facility (October), opening inventory of PB-V Protein bars will be nil and therefore the production budget will be equal to sales demand (from the October sales budget) plus the required closing inventory, all expressed in units (where a unit is a box of 10 bars). In November and December, the production budgets will be equal to the sales volume budget for each month plus closing inventory planned for that month less opening inventory. We will also need to build in an allowance for production of PB-V Protein Bars which ultimately do not pass quality controls.

Material usage and purchases budgets

Having established the production budgets, we can then draw up the material usage budget. This shows the quantity of each type of raw material that will be required to satisfy planned production for the month. Based on Table 1, which is for a box of caramel-flavoured PB-V Protein Bars, we can see that each box produced will need 0.40 kg of cashew nut butter and 0.35 kg of vegan whey powder. If the production budget for this flavour is 2,000 boxes, the materials usage budget for vegan whey powder will be 2,000 x 0.35 kg = 700 kg. This will be repeated for all raw material inputs for all flavours of protein bars and then the material requirements for each input added together establish the total required in the month for that input.

The material purchases budget is the final of the three budgets to be constructed. Material purchases are calculated as material usage for that raw material for the month plus the planned level of closing inventory for that material less the opening inventory. The appropriate level of inventory will depend on our assessment of factors such as lead times from suppliers and the availability of any bulk purchase discounts. We will need to make an allowance here for any raw material wastage that is anticipated in the production process, but also to reflect the perishability of the inputs such as the vegan whey powder. Given production is starting on 1 October, we will need a materials purchases budget for

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September, to ensure that there is sufficient inventory so that production can start straight away. The materials purchases budget will be quantified in volumes and also cost terms.

Approach to working capital management

Robotics+

Robotics+ seems to be taking a conservative approach to working capital management as it has a long working capital cycle of 33 (= 8 + 51 – 26) days compared to the industry average of 8 (= 5 + 37 – 34) days. It has relatively high inventory and receivable days in comparison to the industry average and slightly lower payable days. Robotics+ is a relatively small business for the industry and, given the significant revenue growth last year, could be a new business.

The higher level of inventory and receivables could be the result of deliberate policies to ensure spare parts are always available and to offer extended credit terms to customers in a bid to offer a quality service and to attract new business. The slightly lower payable days could indicate that, as a newer business, Robotics+ has lower credit terms given to it from its suppliers. Alternatively, it could indicate that Robotics+ is taking advantage of early payment discounts that are available given that it has a positive cash balance.

Prestige Engineers

Prestige Engineers seems to be taking an aggressive approach to working capital management as it has a negative working capital cycle of -38 (= 3 + 27 - 68) days compared to the industry average of 8 days. It has relatively low inventory and receivable days in comparison to the industry average and significantly higher payable days. Based on its revenue, Prestige Engineers is considerably larger than the industry average and, given its steady state of growth and high level of customers, could indicate that the business has been operating for many years.

The low level of inventory days could indicate that Prestige Engineers has good relationships with its suppliers, whereby it is able to source parts quickly and therefore does not need to hold excessive inventories. The low level of receivables could indicate that it has a very strong credit control function or that it offers prompt payment discounts that its customers take up. It could also be that it does not offer as favourable credit terms as Robotics+ given that it has significantly more customers. The high level of payable days could indicate that Prestige Engineers is aggressive with its suppliers in terms of demanding long credit terms given its size and therefore potential bargaining power in the industry. Alternatively, it could indicate that Prestige Engineers chooses to pay its suppliers late, a potentially unethical practice.

Recommendation

When choosing between the service providers, we need to consider the credit terms that we might be offered, as this will have a direct impact on our cash flow. The receivable days of Robotics+ are higher than those of Prestige Engineers and therefore it is likely that the former will give us the longest terms. However, as noted above, Prestige Engineers may

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offer a prompt payment discount and we would need to evaluate whether this would be worthwhile.

Perhaps more importantly, as a potential provider of maintenance services, it is vital that the service provider we engage with will be able to provide us the service that we need when we need it. This is to ensure that equipment issues do not cause production delays or production problems. As noted above, Robotics+ has higher inventory days than Prestige Engineers, which could indicate that it will not need to wait to order in the spare parts that our equipment might require should there be a break-down.

In addition, with significantly fewer customers than Prestige Engineers, if we engage the services of Robotics, we are likely to be seen to be a valued customer and, as such, this could result in better service in terms of timeliness and quality.

However, Robotics+ appears to be a relatively new business that is growing fast. Whilst it does have a positive cash balance at its year end on 31 March 2025, it is possible that at other times of the year it is in overdraft. If so, this might indicate that the company is overtrading and as such lacks financial stability.

Overall, my recommendation would be that Robotics+ is the most suitable service provider given that, as one of five customers, we would be a significant priority. However, before reaching a final decision, I would recommend seeking further information about the latest trading results of Robotics+ to further assess its liquidity position in light of the possible overtrading.

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TASK 3

What Chart 1 indicates

Chart 1 compares the total annual cost of producing PB-V Protein Powder in-house (the dotted line) with outsourcing production and buying in from an external supplier (the solid line). From the chart, we can see that there is no benefit to outsourcing if annual demand is between 30,000 and 80,000 pouches. Above 80,000 pouches, outsourcing would be the cheaper option.

The dotted line indicates that our initial fixed costs for the in-house option would be around C$200,000 for the year (as this is where the line crosses the y axis). The line also indicates that there is a step up in these fixed costs at 40,000 pouches, 80,000 pouches and 120,000 pouches. This may be the result of having to rent additional equipment and/or additional supervisors on the production line. It should be noted that the step up in fixed costs at 80,000 pouches is significantly more than the other steps. It would appear from the chart that the variable cost of production per pouch is constant over the range, as the gradient of the line after each step in fixed costs appears to be constant. This significant step in fixed costs at 80,000 pouches is the key reason why outsourcing becomes cheaper.

The solid line indicates that there are no fixed costs if we outsource. The variable cost per pouch of buying in is initially higher than our variable cost of producing in-house as indicated by the steeper gradient of the line up until 60,000 pouches. After 60,000 pouches, the gradient of the line changes, indicating that there is a bulk purchase discount on pouches purchased above this level. From this point, the average variable cost per pouch is similar to the in-house option.

Risk neutral approach

Using a risk neutral approach to the decision, we will select the option that gives us the lowest cost at the expected value of demand, which is 83,300 pouches. Therefore, we would choose to outsource because Chart 1 shows that, at this level of demand, the cost of outsourcing is slightly lower than the cost of the in-house option.

However, there are a number of issues associated with using this approach, as follows:

- The expected value of the volume of annual demand of 83,300 represents the long run average outcome based on a weighted average of the possible outcomes, each weighted by the probability of that outcome occurring. It does not represent any of the possible annual demand levels, which are all in multiples of 10,000 pouches. Because it is an average of the possible outcomes and not one of the outcomes, this approach is not appropriate for a one-off decision such as this, where we are deciding to outsource or produce in-house.
- As a risk neutral decision making approach, using expected value ignores the spread of possible outcomes. From Table 2, we can see that there is a 55% chance that the volume of demand will be between 30,000 and 80,000 pouches, which is where the in-house option would be cheaper.
- This approach ignores any other factors that need to be taken into account, such as the quality of production and the ability to scale up production at short notice should demand be more than we expect. Given the very small difference between the cost

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of each option at the expected value of demand, these other factors should be included in the analysis.

Weighted benefit scoring

Weighted benefit scoring is a technique where all factors affecting a decision (financial, non-financial and sustainability-related) can be taken into account when evaluating the decision. The technique is applied as follows:

1. The decision options are identified. In our case, these are to produce PB-V Protein Powder in-house or to outsource production.
2. Criteria related to the decision are established. For our decision, these criteria could include cost, quality of production, ability to deal with fluctuating demand and impact of production on the environment.
3. Each criterion is given a percentage weighting, with the percentages adding to 100% for all criteria. For example, we might consider quality of production to be the most important criterion and assign it a weighting of 40%, with cost, for example, at 20%, and other criteria making up the rest.
4. For each criterion, give each option a score (say between 1 and 100). For example, we might consider that quality of production for the in-house option would be scored at 90 (because we will have the ability to control it), whilst the score of the outsource option might be 60 (because we will be reliant on the outsource partner). These scores will require some degree of judgement.
5. Calculate the weighted benefit score of each option based on the criterion percentages and the option scores.
6. Choose the option with the highest weighted benefit score.

Review of KPIs for website sales

The conversion rate is a measure of the percentage of people that visit our website and place an order. If the percentage is below target, this could indicate that the information on our website about PB-V is not clear enough or enticing enough for people to place an order. In October, the conversion rate was higher than target, which is probably due to the initial interest generated from the social media campaign. People learnt what they needed to from the social media posts and visited the website with the intention of ordering. It is slightly concerning that in November the rate is lower than target. This could be due to the fact that there was no social media campaign.

The shopping cart abandonment rate is a measure of how easy it is to purchase from the website and a relatively high rate could indicate that there is friction in the process. It is encouraging that in both October and November the rate is lower than target, which indicates that customers are not finding friction in the process. Order volumes in both months though are lower than expected and therefore, the capacity of the website and payment processes haven't really been tested yet.

The number of orders received and order value are best considered together. Whilst Table 2 shows that we have received fewer orders than target in each month, the average value of those orders is higher than target. It would be useful to calculate sales revenue in each month and compare this to that budgeted. The lower-than-targeted number of orders is a

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little concerning, especially given that we might have expected significant orders in the first month due to the social media campaign. Maybe it will take longer than expected to build the PB-V brand. The higher average order value is encouraging and, if this continues into the future, will increase PB-V revenue above expectation, assuming that the number of orders can be boosted.

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TASK 4

Fixed production overhead variances for the PB-V Production Facility

Expenditure variance

The expenditure variance is calculated as the difference between the amount of fixed production overhead we expected to incur (which is the amount budgeted of C$84,000) and the amount of fixed production overhead that we did incur (C$86,700). This variance is adverse for November because we spent more than we had budgeted to spend.

A reason for this is that we purchased additional weighing equipment at the start of the month, which will have increased the depreciation charge included within fixed production overhead. Another reason is that we recruited an additional supervisor, which had not been budgeted for, and their salary will be included as part of fixed production overhead. In addition, given that this is a new facility, it may well be that our initial estimates are not completely accurate.

Efficiency variance

The efficiency variance is calculated as the difference between the direct labour hours that should have been worked for the actual level of production (2,800 hours) and the number of hours actually worked (2,920 hours) multiplied by the fixed production overhead absorption rate. For November, this variance is adverse because direct workers took more hours than they should have for actual production.

The are two main reasons for this. Firstly, we have more inexperienced workers than we had originally anticipated (resulting in the additional supervisor). Given that November is only the second month of production, it could be that these workers are still learning and do not operate as quickly as more experienced workers. Secondly, the mixing equipment has been slowed down, which means that direct workers will also be slowed down.

Capacity variance

The capacity variance is calculated as the difference between the budgeted hours of work (3,000 hours) and actual hours worked (2,920 hours) multiplied by the fixed production overhead absorption rate. For November, this variance is adverse because actual direct labour hours worked were lower than we had originally budgeted.

The reason for this is several of our direct workers were absent due to influenza and as a result less hours were worked. This also fits with production being lower than budgeted (28,000 compared to 30,000 boxes).

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Further information

The fixed overhead expenditure variance represents the difference between actual and budgeted spend for all fixed production overheads and hence covers a wide variety of different costs including machinery depreciation, the wages of indirect employees such as supervisors and property-related costs such as insurance and maintenance.

Therefore, it would be useful to analyse the total variance by type of cost to ascertain in more detail where there have been cost overspends and whether there have underspends compared to the budget. From this analysis, we can then look for possible reasons for the variance for each type of cost and either take action if it is a genuine overspend or adjust the budget if it is a result of our original estimates being incorrect given the newness of the facility.

Further to this, we could consider splitting each detailed cost variance into planning and operational variances. Planning variances are over or under spends that occur because either the original plan was incorrect (for example, the cost of the additional weighing equipment) or because an event occurred which was outside of the control of the company (for example, any additional fixed cost arising as a result of the influenza outbreak).

Operational variances are over or under spends which are within the control of production managers. This will include the cost of the additional supervisor as this was a result of recruiting a less experienced workforce than planned.

Non-conformance and conformance costs

Non-conformance costs are the costs associated with a quality failure in the business. With respect to PB-V production, a quality failure will arise if we produce PB-V products that do not meet our quality standards. If we identify this before the products are sold, this would constitute an internal failure. If we identify this after the products are sold, this constitutes an external failure.

Conformance costs are the costs of trying to stop a quality failure from happening. These can either be prevention costs (the cost is borne to prevent the quality failure happening in the first place) or appraisal (the cost is borne to ensure that quality standards are met throughout the production process).

The costs associated with non-conformance can be significant, especially in relation to external failure. In respect of PB-V, we are only in the third month of production but have already received complaints from a few customers about the consistency of the product. This is an example of external failure because poor quality products reached customers. The costs associated with this external failure include the actual physical cost of any refunds or goodwill gestures that were made to the customers that complained. However, more importantly, selling poor quality products could result in lost customer goodwill: future sales of the product would then be reduced, especially if the customers involved post negative comments on social media.

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Because the costs of non-conformance can be significant, we should seek to stop quality failures from happening, which in turn means investing in conformance costs. The more that we spend on actions to prevent failure or to check quality throughout the production process, the lower the chance that a quality failure will occur, and therefore the lower the costs of non-conformance.

Actions to improve the overall impact of quality costs

We have already incurred conformance costs in respect of the external failure discussed above. The cost of recalibrating the mixing equipment and then the additional costs associated with the extra time needed for mixing are essentially prevention costs. By taking this action, we are seeking to improve the mixing of the vegan whey powder and improve the consistency of the final product.

However, other actions that we could take which would give rise to conformance costs are:

- Quality checks at all stages of production. This will include checking the quality of the raw materials such as vegan whey powder on receipt of those materials and then checking the quality of the product at each stage of the production process. This will help to ensure that only the best quality ingredients are used and that there is scope to reject a batch of production at each stage so that unnecessary additional conversion costs are not incurred.
- Training for all production employees to ensure that they fully understand the production process and the importance of quality in production. This should limit the amount of production that has to be scrapped due to poor quality.
- Investing in appropriate storage facilities and ensuring that there is good control over the rotation of inventory (both raw materials and finished goods). This would help to maintain the quality of both raw materials and finished goods and ensure that there is adequate shelf-life before either raw materials are used in production or finished goods are sold.

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Operational 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 Operational 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, markers are subject to extensive training and standardisation activities and ongoing monitoring to ensure that judgements are being 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 mark scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level when 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.

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3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
- 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)	**E**	Analyse information to support short-term decision making.	**28%**
(b)	**E**	Analyse information to support short-term decision making.	**24%**
(c)	**E**	Analyse information to support short-term decision making.	**24%**
(d)	**B**	Discuss budget information for the purposes of planning and control.	**24%**
Task 2			
(a)	**F**	Discuss the management of working capital.	**16%**
(b)	**F**	Discuss the management of working capital.	**20%**
(c)	**F**	Discuss the management of working capital.	**32%**
(d)	**D**	Apply relevant financial reporting standards & corporate governance, ethical & tax principles.	**32%**
Task 3			
(a)	**C**	Analyse financial and non-financial information to communicate insights about organisational performance.	**64%**
(b)	**C**	Analyse financial and non-financial information to communicate insights about organisational performance.	**36%**
Task 4			
(a)	**B**	Discuss budget information for the purposes of planning and control.	**28%**
(b)	**B**	Discuss budget information for the purposes of planning and control.	**24%**
(b)	**A**	Discuss costing information to support differing needs of the business.	**48%**

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TASK 1

TASK 1			
Sub-task (a): **Interpret** the payoff and statistical information in Schedule 1.			
Trait			
Schedule 1	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Provides a limited interpretation of the information in Schedule 1. The interpretation lacks technical accuracy, clarity and detail.	1 – 2
	Level 2	Provides a reasonable interpretation of the information in Schedule 1. The interpretation lacks some technical accuracy, clarity and/or detail.	3 – 5
	Level 3	Provides a good interpretation of the information in Schedule 1. The interpretation is technically accurate, clear and detailed.	6 – 7
Sub-task (b): **Apply** a risk neutral, risk seeking and risk averse approach to the information in Schedule 1 and determine which of the three options would be chosen for each approach.			
Trait			
Decision	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of how to apply the decision approaches. The correct decisions are not always given.	1 – 2
	Level 2	Demonstrates reasonable technical understanding of how to apply the decision approaches. The correct decisions may not be given.	3 – 4
	Level 3	Demonstrates good technical understanding of how to apply the decision approaches. The correct decisions are mostly given.	5 – 6
Sub-task (c): **Discuss** the limitations of using these approaches and the information in Schedule 1 to make this decision.			
Trait			
Limitations	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the limitations of using the approaches and/or the information in Schedule 1. The discussion lacks clarity, detail and reference to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of the limitations of using the approaches and/or the information in Schedule1. The discussion lacks some clarity, detail and/or reference to the scenario.	3 – 4
	Level 3	Demonstrates good understanding of the limitations of using the approaches and the information in Schedule 1. The discussion is mostly clear, detailed and referenced to the scenario.	5 – 6

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TASK 1 (continued)			
Sub-task (d): **Explain** how to construct a flexible budget for the PB-Ready range.			
Trait			
Flexible budget	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to construct a flexible budget. The explanation lacks clarity, accuracy and detail.	1 – 2
	Level 2	Demonstrates reasonable understanding of how to construct a flexible budget. The explanation lacks some clarity, accuracy and/or detail.	3 – 4
	Level 3	Demonstrates good understanding of how to construct a flexible budget. The explanation is mostly clear, accurate and detailed.	5 – 6

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TASK 2

TASK 2			
Sub-task (a): **Explain** what the EOQ of 42,000 means and describe the variables that will have been used to determine it.			
Trait			
EOQ & variables	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of what the EOQ means, and the variables used to calculate it. The explanation lacks clarity.	1
	Level 2	Demonstrates reasonable technical understanding of what the EOQ means, and the variables used to calculate it. The explanation lacks some clarity.	2 – 3
	Level 3	Demonstrates good technical understanding of what the EOQ means, and the variables used to calculate it. The explanation is mostly clear.	4
Sub-task (b): **Discuss** how the lead time of 1 week will affect our ordering process and how we would determine whether it would be advisable to order in bulk to take advantage of the discount available.			
Trait			
Lead time and bulk discount	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to deal with lead time and/or determine whether to utilise the bulk discount. The discussion lacks clarity, accuracy and makes little if any reference to the information given.	1 – 2
	Level 2	Demonstrates reasonable understanding of how to deal with lead time and/or determine whether to utilise the bulk discount. The discussion lacks some clarity and/or accuracy but does make some reference to the information given.	3 – 4
	Level 3	Demonstrates good understanding of how to deal with lead time and determine whether to utilise the bulk discount. The discussion is mostly clear and accurate with reference to the information given.	5

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TASK 2 (continued)			
Sub-task (c): **Evaluate** the suitability of using the EOQ model to determine our ordering policy for bio-degradable bottles.			
Trait			
Suitability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Provides a limited evaluation of the suitability of using the EOQ model. The evaluation lacks clarity, detail and reference to the scenario.	1 – 3
	Level 2	Provides a reasonable evaluation of the suitability of using the EOQ model. The evaluation lacks some clarity, detail and/or reference to the scenario.	4 – 6
	Level 3	Provides a good evaluation of the suitability of using the EOQ model. The evaluation is mostly clear, detailed and referenced to the scenario.	7 – 8
Sub-task (d): **Apply** the provisions of relevant financial reporting standards to show how PB-Ready finished goods inventory will be valued in our financial statements.			
Trait			
Inventory value	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of how inventory is valued in the financial statements in accordance with IAS 2. The explanation lacks technical accuracy, detail, clarity and reference to the information given.	1 – 3
	Level 2	Demonstrates reasonable understanding of how inventory is valued in the financial statements in accordance with IAS 2. The explanation may lack some technical accuracy, detail, clarity and/or reference to the information given.	4 – 6
	Level 3	Demonstrates good understanding of how inventory is valued in the financial statements in accordance with IAS 2. The explanation is mostly technically accurate, detailed, clear and referenced to the information given.	7 – 8

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TASK 3

TASK3			
Sub-task (a): **Interpret** each of the variances shown in Table 1 and provide possible reasons for their occurrence.			
Trait			
Direct labour	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the meaning of the variances. The interpretation lacks technical accuracy, clarity and the reasons given may not be relevant or related to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of the meaning of the variances. The interpretation lacks some technical accuracy, clarity and/or the reasons given may not be relevant or related to the scenario.	3 – 4
	Level 3	Demonstrates good understanding of the meaning of the variances. The interpretation is mostly technically accurate, clear and the reasons given are mostly relevant and related to the scenario.	5 – 6
Variable overhead	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the meaning of the variances. The interpretation lacks technical accuracy, clarity and the reasons given may not be relevant or related to the scenario.	1
	Level 2	Demonstrates reasonable understanding of the meaning of the variances. The interpretation lacks some technical accuracy, clarity and/or the reasons given may not be relevant or related to the scenario.	2 – 3
	Level 3	Demonstrates good understanding of the meaning of the variances. The interpretation is mostly technically accurate, clear and the reasons given are mostly relevant and related to the scenario.	4

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TASK 3 (continued)			
Sub-task (a) continued: **Interpret** each of the variances shown in Table 1 and provide possible reasons for their occurrence.			
Trait			
Fixed overhead	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the meaning of the variances. The interpretation lacks technical accuracy, clarity and the reasons given may not be relevant or related to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of the meaning of the variances. The interpretation lacks some technical accuracy, clarity and/or the reasons given may not be relevant or related to the scenario.	3 – 4
	Level 3	Demonstrates good understanding of the meaning of the variances. The interpretation is mostly technically accurate, clear and the reasons given are mostly relevant and related to the scenario.	5 – 6
Sub-task (b): **Recommend** three KPIs relating to the sustainability of the PB-Ready production process which would be suitable for inclusion in a dashboard. Please discuss how each KPI would be measured and justify why it would be appropriate.			
Trait			
KPIs	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends at least one suitable KPI. The discussion of measurement and justification of why the KPI is appropriate lacks clarity and application to the scenario.	1 – 3
	Level 2	Recommends at least two suitable KPIs. The discussion of measurement and justification of why the KPI is appropriate lacks some clarity and/or application to the scenario.	4 – 6
	Level 3	Recommends three suitable KPIs. The discussion of measurement and justification of why the KPI is appropriate is mostly clear and applied to the scenario.	7 – 9

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TASK 4

TASK 4			
Sub-task (a): **Discuss** the features of a beyond budgeting approach and how we might apply these.			
Trait			
Features	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the features of beyond budgeting. The discussion lacks clarity, depth and application to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of the features of beyond budgeting. The discussion lacks some clarity, depth and/or application to the scenario.	3 – 5
	Level 3	Demonstrates some understanding of the features of beyond budgeting. The discussions clarity, depth and application to the scenario.	6 – 7
Sub-task (b): **Discuss** the benefits to our business of using a beyond budgeting approach.			
Trait			
Benefits	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Discusses at least one benefit. The discussion lacks clarity, depth and application to the scenario.	1 – 2
	Level 2	Discusses at least two benefits. The discussion lacks some clarity, depth and/or application to the scenario.	3 – 4
	Level 3	Discusses at least three benefits. The discussion is mostly clear, detailed and applied to the scenario.	5 – 6
Sub-task (c): **Discuss** how environmental costs could be recorded in an environmental cost of quality report, illustrating your discussion of each category with an example of an environmental cost that we have incurred in 2025.			
Trait			
Environmental quality costs	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of environmental cost of quality reporting. The discussion lacks technical accuracy, clarity, detail and the examples are likely to be inappropriate.	1 – 4
	Level 2	Demonstrates reasonable understanding of environmental cost of quality reporting. The discussion lacks some technical accuracy, clarity, detail and the examples may not be appropriate.	5 – 8
	Level 3	Demonstrates good understanding of environmental cost of quality reporting. The discussion is mostly technically accurate, clear, detailed and the examples are mostly appropriate.	9 – 12

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Operational Case Study Examination

Case Study Pilot Paper

Variant 2 Marking Guidance

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Variant 2

About this Marking Guidance

This Marking Guidance has been prepared for variant 2 of the CGMA Operational 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, markers are subject to extensive training and standardisation activities and ongoing monitoring to ensure that judgements are being 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 mark scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level when 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.

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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)	**B**	Discuss budget information for the purposes of planning and control.	**24%**
(b)	**B**	Discuss budget information for the purposes of planning and control.	**28%**
(c)	**D**	Apply relevant financial reporting standards & corporate governance, ethical & tax principles.	**48%**
Task 2			
(a)	**B**	Discuss budget information for the purposes of planning and control.	**36%**
(b)	**F**	Discuss the management of working capital.	**40%**
(c)	**F**	Discuss the management of working capital.	**24%**
Task 3			
(a)	**E**	Analyse information to support short-term decision making.	**20%**
(b)	**E**	Analyse information to support short-term decision making.	**24%**
(c)	**E**	Analyse information to support short-term decision making.	**24%**
(d)	**C**	Analyse financial and non-financial information to communicate insights about organisational performance.	**32%**
Task 4			
(a)	**C**	Analyse financial and non-financial information to communicate insights about organisational performance.	**32%**
(b)	**C**	Analyse financial and non-financial information to communicate insights about organisational performance.	**20%**
(c)	**A**	Discuss costing information to support differing needs of the business.	**24%**
(d)	**A**	Discuss costing information to support differing needs of the business.	**24%**

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TASK 1

TASK 1			
Sub-task (a): **Interpret** Chart 1 and Table 1 and explain what they indicate about sales of vegan protein bars in Ceeland over the last few years.			
Trait			
Trend and seasonal variations	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of the trend lines and seasonal variations. The interpretation lacks clarity, detail and reference to the information given.	1 – 2
	Level 2	Demonstrates reasonable technical understanding of the trend lines and seasonal variations. The interpretation may lack some clarity, detail and/or reference to the information given.	3 – 4
	Level 3	Demonstrates good technical understanding of the trend lines and seasonal variations. The interpretation is mostly clear, detailed and references the information given.	5 – 6
Sub-task (b): **Discuss** any factors that will affect the accuracy of a sales forecast for PB-V based on the information in Chart 1 and Table 1.			
Trait			
Accuracy	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Provides at least one appropriate factor which affects the accuracy of the sales forecast. The discussion lacks clarity and application to the scenario.	1 – 2
	Level 2	Provides at least two appropriate factors which affect the accuracy of the sales forecast. The discussion may lack some clarity and application to the scenario.	3 – 5
	Level 3	Provides at least three appropriate factors which affect the accuracy of the sales forecast. The discussion is mostly clear and applied to the scenario.	6 – 7

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TASK 1 (continued)			
Sub-task (c): **Apply** appropriate financial reporting standards to determine how the property-related expenditure in Table 2 will be initially recorded and subsequently measured in our financial statements for the year ending 31 December 2025.			
Trait			
Initially recorded	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of the initial recognition rules. The explanation lacks clarity, detail and is likely to include technical inaccuracies. There is limited reference to the information given.	1 – 2
	Level 2	Demonstrates reasonable technical understanding of the initial recognition rules. The explanation may lack some clarity or detail or include some technical inaccuracies. There is a reasonable attempt to reference the information given.	3 – 4
	Level 3	Demonstrates good technical understanding of the initial recognition rules. The explanation is mostly clear, detailed and technically accurate. There is a good attempt to reference the information given in the scenario.	5 – 6
Subsequently measured	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of the subsequent measurement rules. The explanation lacks clarity, detail and is likely to include technical inaccuracies. There is limited reference to the information given in the scenario.	1 – 2
	Level 2	Demonstrates reasonable technical understanding of the subsequent measurement rules. The explanation may lack some clarity or detail or include some technical inaccuracies. There is a reasonable attempt to reference the information given.	3 – 4
	Level 3	Demonstrates good technical understanding of the subsequent measurement rules. The explanation is mostly clear, detailed and technically accurate. There is a good attempt to reference the information given in the scenario.	5 – 6

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TASK 2

TASK 2			
Sub-task (a): **Explain,** with reference to the information in Table 1, how to construct the production, material usage and material purchases budgets for PB-V Protein Bars for the period ending 31 December 2025.			
Trait			
Functional budgets	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to construct the production, material usage and material purchases budget for the period. Makes little if any reference to the information or to the scenario. The explanation lacks clarity, technical accuracy and detail.	1 – 3
	Level 2	Demonstrates reasonable understanding of how to construct the production, material usage and material purchases budget for the period. Makes some reference to the information and/or to the scenario. The explanation may lack some clarity, technical accuracy and detail.	4 – 6
	Level 3	Demonstrates good understanding of how to construct the production, material usage and material purchases budget for the period. Makes good reference to the information and to the scenario. The explanation is mostly clear, technically accurate and detailed.	7 – 9
Sub-task (b): **Analyse** the information in Table 2 and use it to explain the approach taken by both Robotics+ and Prestige Engineers to manage its working capital. Please make reference to each element of the working capital cycle for each service provider.			
Trait			
Working capital management	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of what the information indicates about working capital management approaches. The analysis lacks clarity, detail and reference to the information given.	1 – 3
	Level 2	Demonstrates reasonable understanding of what the information indicates about working capital management approaches. The analysis lacks some clarity, detail and/or reference to the information given.	4 – 7
	Level 3	Demonstrates good understanding of what the information indicates about working capital management approaches. The analysis is mostly clear, detailed and referenced to the information given.	8 – 10

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TASK 2 (continued)			
Sub-task (c): **Recommend** which service provider would be most suitable for us based on this analysis.			
Trait			
Recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Provides a recommendation. The recommendation lacks clarity, detail and justification in light of the analysis.	1 – 2
	Level 2	Provides a recommendation. The recommendation lacks some clarity, detail and/or justification in light of the analysis.	3 – 4
	Level 3	Provides a recommendation. The recommendation is mostly clear, detailed and justified in light of the analysis.	5 – 6

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TASK 3

TASK 3			
Sub-task (a): **Interpret** Chart 1 and explain what it indicates about the cost structure of the two options for the supply of PB-V Protein Powder.			
Trait			
Cost structures	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the cost structures indicated by Chart 1. The interpretation lacks clarity and reference to the information in the chart.	1 – 2
	Level 2	Demonstrates reasonable understanding of the cost structures indicated by Chart 1. The interpretation may lack some clarity and reference to the information in the chart.	3 – 4
	Level 3	Demonstrates good understanding of the cost structures indicated by Chart 1. The interpretation is mostly clear and references the information in the chart.	5
Sub-task (b): **Apply** a risk neutral approach to the decision and discuss the suitability of this approach with reference to the information in Table 1.			
Trait			
Risk neutral approach	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to apply a risk neutral approach. The discussion of the suitability of the approach lacks clarity, detail and reference to the scenario information.	1 – 2
	Level 2	Demonstrates reasonable understanding of how to apply a risk neutral approach. The discussion of the suitability of the approach lacks some clarity, detail and/or reference to the scenario information.	3 – 4
	Level 3	Demonstrates good understanding of how to apply a risk neutral approach. The discussion of the suitability of the approach is mostly clear, detailed and referenced to the scenario information.	5 – 6

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TASK 3 (continued)			
Sub-task (c): **Discuss** how weighted benefit scoring would be applied to assist with this decision, giving examples of criteria that could be used.			
Trait			
Weighted benefit scoring	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to apply weighted benefit scoring. The discussion lacks clarity, detail and reference to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of how to apply weighted benefit scoring. The discussion lacks some clarity, detail and/or reference to the scenario.	3 – 4
	Level 3	Demonstrates good understanding of how to apply weighted benefit scoring. The discussion is mostly clear, detailed and referenced to the scenario.	5 – 6
Sub-task (d): **Interpret** the KPIs shown in Table 2.			
Trait			
KPIs	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the KPIs and what these indicate about website sales during the period. The interpretation lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Demonstrates reasonable understanding of the KPIs and what these indicate about website sales during the period. The interpretation lacks some clarity, detail and application to the scenario.	4 – 6
	Level 3	Demonstrates good understanding of the KPIs and what these indicate about website sales during the period. The interpretation is mostly clear, detailed and applied to the scenario.	7 – 8

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TASK 4

TASK 4			
Sub-task (a): **Explain** how the fixed production overhead expenditure, efficiency and capacity variances for the PB-V Production Facility in November will be calculated based on the information in Table 1. Please also discuss whether each variance will be adverse or favourable and provide possible reasons for each.			
Trait			
Variances	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Explains with technical accuracy how at least one of the variances will be calculated and whether it is adverse or favourable. The explanation is likely to lack clarity and reference to the information given. Reasons given for the variances do not necessarily relate to the correct variance.	1 – 3
	Level 2	Explains with technical accuracy how at least two of the variances will be calculated and whether they are adverse or favourable. The explanation may lack clarity and reference to the information given. Reasons given for the variances may not necessarily relate to the correct variance.	4 – 6
	Level 3	Explains with technical accuracy how all three variances will be calculated and whether they are adverse or favourable. The explanation is mostly clear with reference to the information given. Reasons given for the variances mostly relate to the correct variance.	7 – 8
Sub-task (b): **Discuss** what further analysis would be useful to interpret the fixed production overhead expenditure variance based on Table 1 information.			
Trait			
Further analysis	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Provides some discussion of further analysis. The discussion lacks clarity, detail and reference to the scenario.	1 – 2
	Level 2	Provides reasonable discussion of further analysis. The discussion lacks some clarity, detail and/or reference to the scenario.	3 – 4
	Level 3	Provides good discussion of further analysis. The discussion is mostly clear, detailed and referenced to the scenario.	5

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TASK 4 (continued)			
Sub-task (c): **Discuss** the distinction and interaction between non-conformance and conformance costs, with reference to the production of PB-V.			
Trait			
Non-conformance and conformance	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Demonstrates some understanding of the distinction and interaction between non-conformance and conformance costs. The discussion lacks clarity, detail and reference to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of the distinction and interaction between non-conformance and conformance costs. The discussion lacks some clarity, detail and/or reference to the scenario.	3 – 4
	Level 3	Demonstrates good understanding of the distinction and interaction between non-conformance and conformance costs. The discussion is mostly clear, detailed and referenced to the scenario.	5 – 6
Sub-task (d): **Recommend** actions that we could take to improve the overall impact of quality costs in respect of PB-V production.			
Trait			
Actions	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends at least one suitable action. The recommendation(s) lack clarity, detail and reference to the scenario.	1 – 2
	Level 2	Recommends at least two suitable actions. The recommendations lack some clarity, detail and/or reference to the scenario.	3 – 4
	Level 3	Recommends at least three suitable actions. The recommendations are mostly clear, detailed and referenced to the scenario.	5 – 6

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Operational Case Study Examination

Case Study Pilot Paper

Candidate Guidance

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General expectations about the Operational Case Study examination

Structure

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

Within a task, each sub-task will show a percentage weighting, which represents the percentage of the total time available for the task 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 48%, that equates to 21.6 minutes of time (out of the total task time of 45 minutes) and equates to 48% of the marks available for that task, so 12 marks (which is 48% of 25).

Blueprint

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

Core activity	Blueprint weighting
A: Discuss costing information to support differing needs of the business	12 – 18%
B: Discuss budget information for the purposes of planning & control	17 – 25%
C: Analyse financial & non-financial information to communicate insights about organisational performance	17 – 25%
D: Apply relevant financial reporting standards & corporate governance, ethical & tax principles	8 – 13%
E: Analyse information to support short-term decision making	17 – 25%
F: Discuss the management of working capital	12 – 18%

For each core activity, there will be one or two topics covered in a single OCS examination. For example, for core activity B, topics covered might include zero based budgeting and what-if analysis. For core activity C, topics covered might include sales variances and key performance indicators for sustainability in production. For a single topic covered, there may be more than one sub-task.

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 OCS there are four 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	There are technical inaccuracies and/or gaps in your answer. You demonstrate some technical understanding of the topic area tested.	There are likely to be some technical inaccuracies and/or gaps in your answer. You demonstrate reasonable technical understanding of the topic area tested.	There are limited technical inaccuracies and/or gaps in your answer. You demonstrate good technical understanding of the topic area tested.
Communication	Your answer lacks clarity and detail.	Your answer lacks some clarity and/or detail.	Your answer is mostly clear and detailed.
Use of the information given	To support your answer, there is no, or very limited, reference to, or use of, the information given in the case study.	To support your answer, there is some reference to, or use of, the information given in the case study.	To support your answer, there is reference to, or use of, the information given in the case study.
Application to the scenario and context	There is no, or very limited, consideration of the organisation and/or sub-task context to provide application to the scenario in your answer.	There is some consideration of the organisation and/or sub-task context to provide application to the scenario in your answer.	There is consideration of the organisation and/or sub-task context to provide application to the scenario in your answer.

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General comments on the Operational Case Study pilot papers

The company

The OCS pilot papers are derived from the OCS examinations for November 2023 & February 2024 and are based on Personal Best (PB). PB is a company that manufactures and sells protein bars and protein powders. The company's products are intended primarily as pre- or post-workout snacks for people who undertake a regular programme of exercise. The company is based in Ceeland, a country in Europe which has the C$ as its currency.

PB has experienced sales growth every month since its foundation 5 years ago. The three founders all have their own specialisms which enable them to work together in a remarkably smooth and collegiate manner. By common consent, Hema Bhatt, an engineer who designed and built the first production machinery is now the Managing Director, Julia Matthews is the Finance Director and Penny Sanchez is the Sales & Marketing Director.

PB's mission statement is "To help all customers to achieve their own personal best and to live their best life". It is this mission that guides most of the decisions at PB. Alongside the products themselves, the website offers the vast PB community nutritional and fitness advice, hosts support chat rooms, offers prizes for the best recipe using PB's snack bars or protein powder every month and has links to other relevant websites.

In the year to 31 December 2024, the company's revenue was C$23.9 million, gross profit was C$8.4 million and profit before tax was C$1.2 million. In the same year, the company employed 159 people.

Overview of the case study pilot papers

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

- Variant 1: Launch of a new range of ready mixed shakes
- Variant 2: Launch of a new vegan range

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Variant 1

Variant 1 focuses on the launch of PB-Ready, a range of pre-made protein shakes, available in a number of flavours in 0.5 litre bio-degradable bottles.

TASK 1

To promote the new PB-Ready range a basic social media campaign is being planned and management need to decide which of three additional promotional options should be chosen, leading to sub-tasks (a), (b) and (c). Additionally, given the uncertainty over sales volume, a flexible budgeting approach is being considered for PB-Ready, leading to sub-task (d).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Interpret** the payoff and statistical information in Schedule 1.	28%	**E:** Analyse information to support short-term decision making	Provide a clear and detailed interpretation of what the payoff information shows. It is anticipated that this will include consideration of whether profit is expected to increase or decrease compared to the original budgeted profit of C$642,000 and the probabilities of profits being higher of lower than this original budget. Clearly explain the meaning of expected value and coefficient of variation, with reference to the measures in the statistical information table.	Provide a basic description of the payoff tables, mostly just repeating the information given in Schedule 1, rather than provide an interpretation of how the options are expected to impact budgeted profit. Demonstrate a lack of technical understanding of the meaning of expected value and/or coefficient of variation and fail to reference the information in the table.

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TASK 1 (continued)					
Sub-task		**% time**	**Core activity**	**A good answer for this sub-task will:**	**A poor answer for this sub-task will:**
(b)	**Apply** a risk neutral, risk seeking and risk averse approach to the information in Schedule 1 and determine which of the three options would be chosen for each approach.	24%	**E:** Analyse information to support short-term decision making	Apply a risk neutral, risk seeking and risk averse decision approach to the information in Schedule 1, to provide a clearly justified recommendation of which option would be chosen for each decision approach.	Demonstrate a lack of technical understanding of how the different decision approaches would be applied, thereby giving incorrect recommendations. Alternatively, provide a general technically accurate description of each decision making approach, but fail to apply the approaches to the information in Schedule 1.
(c)	**Discuss** the limitations of using these approaches and the information in Schedule 1 to make this decision.	24%		Challenge the validity of at least two of the decision making approaches to provide at least three limitations which are discussed clearly and within the context of the scenario and the information given.	Provide a list of generic limitations of using expected value in a risk neutral approach, with no or limited consideration of risk seeking and risk averse approaches. There will be no or very limited reference to the information given or the scenario.
(d)	**Explain** how to construct a flexible budget for the PB-Ready range.	24%	**B:** Discuss budget information for the purposes of planning & control	Explain clearly the basis of a flexible budget (so, a series of budgets at different activity levels) and how such budgets will be constructed with reference to the variable, semi-variable, fixed and stepped fixed costs for the PB-Ready range, with reference to the scenario.	Demonstrate a lack of technical understanding of flexible budgets by possibly confusing this with other types of budgeting (for example, rolling, zero based or activity based budgets). Alternatively, provide only a limited explanation of how to construct the budget that makes no reference to the scenario.

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TASK 2

The new supplier of the bio-degradable bottles used for PB-Ready has been selected. It has been suggested that the EOQ model is used to determine the order quantity of bottles and the supplier is promising a lead time of 1 week and offering a bulk discount. This leads to sub-tasks (a), (b) and (c). Additionally, a query has arisen about how PB-Ready finished goods inventory will be valued in the financial statements, leading to sub-task (d).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Explain** what the EOQ of 42,000 means and describe the variables that will have been used to determine it.	16%	**F:** Discuss the management of working capital	Explain clearly the meaning of an EOQ of 42,000 bottles and give a description of the variables used to determine it (annual demand of bottles, the cost of placing an order, the cost of holding one bottle in inventory for 1 year).	Demonstrate a lack of technical understanding of what EOQ represents and the variables used to determine it.
(b)	**Discuss** how the lead time of 1 week will affect our ordering process and how we would determine whether it would be advisable to order in bulk to take advantage of the discount available.	20%		Discuss how lead time affects the ordering process in terms of the re-order point and the using up and replenishment of inventory, with reference to a 1 week lead time. Discuss how to evaluate whether the bulk discount is worthwhile, with reference to the information provided and the discount and order size. This should include a comparison of the total costs of purchase, holding and ordering at the two different order sizes.	Demonstrate general understanding of lead time and provide a limited description of how this will affect the ordering process, with no reference to the implications of it being a 1 week lead time. Provide a basic description of how to evaluate a bulk discount, with no reference made to the information provided.

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TASK 2 (continued)					
Sub-task		**% time**	**Core activity**	**A good answer for this sub-task will:**	**A poor answer for this sub-task will:**
(c)	**Evaluate** the suitability of using the EOQ model to determine our ordering policy for bio-degradable bottles.	32%	**F:** Discuss the management of working capital	Provide a clear and detailed evaluation of the suitability of the EOQ model for ordering bottles by challenging the assumptions underpinning the model (such as constant demand), whilst also considering the scenario and the context of PB-Ready being a new range and the potential reliability of the new supplier.	Demonstrate understanding of some of the assumptions underpinning the EOQ model, but fail to consider the validity of these assumptions within the context of PB-Ready.
(d)	**Apply** the provisions of relevant financial reporting standards to show how PB-Ready finished goods inventory will be valued in our financial statements.	32%	**D:** Apply relevant financial reporting standards & corporate governance, ethical & tax principles	Demonstrate technical understanding of the rules in IAS 2 for valuation of inventory and apply these rules to explain which of the costs in Table 1 will be included in the cost of finished goods inventory and which will be included in the calculation of net realisable value, when determining whether inventory is held at cost or net realisable value.	Demonstrate understanding of the basic rule that inventory is held at the lower of cost and net realisable value. However, reference to the information in Table 1 is limited when applying this rule to show how the inventory will be valued.

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TASK 3

Months later, the production variances for PB-Ready have been calculated and need to be interpreted, leading to sub-task (a). Management has requested recommendations of KPIs suitable to monitor the sustainability of PB-Ready production processes, leading to sub-task (b).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Interpret** each of the variances shown in Table 1 and provide possible reasons for their occurrence.	64%	**C**: Analyse financial & non-financial information to communicate insights about organisational performance	Interpret the variances, by explaining clearly and with technical accuracy the meaning of each variance. For example, the direct labour rate variance is adverse which means that on average PB-Ready direct production workers were paid more per hour than the standard rate. Provide at least one valid reason for each variance which is drawn from the scenario and the events given.	Focus on how to calculate each variance rather than explain the meaning of what adverse of favourable means in the context of each variance or fail to clearly articulate meaning. For example, stating that the direct labour rate variance is adverse which means that we paid more than we should have, is not clearly explaining meaning because this could relate to the hourly rate or it could relate to the amount of hours paid for. Provide some reasons, but these don't necessarily relate to the correct variance or are drawn from the events given.
(b)	**Recommend** three suitable KPIs relating to the sustainability of the PB-Ready production process which would be suitable for inclusion in a dashboard. Please discuss how each KPI would be measured and justify why it would be appropriate.	36%	**C**: Analyse financial & non-financial information to communicate insights about organisational performance	Recommend SMART KPIs suitable for monitoring the sustainability of PB-Ready production processes, that are clearly justified in the context of the scenario, giving a explanation of how the KPI will be measured.	Provide recommendations for KPIs which are not SMART and/or not suitable to monitor the sustainability of PB-Ready production processes. Any justification and explanation of measurement is vague and not related to the context or the scenario.

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TASK 4

The budget for 2026 needs to be started and given the number of new initiatives that the company is planning, it has been suggested that a beyond budgeting approach could be adopted, leading to sub-tasks (a) and (b). Additionally, following a recent conference, sustainability is at the forefront of the Finance Director's considerations and she has suggested reporting environmental costs based on the cost of quality framework. This leads to sub-task (c).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Discuss** the features of a beyond budgeting approach and how we might apply these.	28%	**B:** Discuss budget information for the purposes of planning & control	Identify the key features of a beyond budgeting approach (rolling budgets, participation and a wider focus on performance measures) and discuss what PB will do compared to what it currently does to apply each of these features.	Identify the features of beyond budgeting but fail to consider what PB will need to do to apply these features. Alternatively, focus the discussion on only one feature of beyond budgeting.
(b)	**Discuss** the benefits to our business of using a beyond budgeting approach.	24%		Provide two or three benefits of using a beyond budgeting approach, with reference to PB and the context of the new initiatives that are being planned.	Provide a text-book list of the benefits of using a beyond budgeting approach that do not reference PB or the context.
(c)	**Discuss** how environmental costs could be recorded in an environmental cost of quality report, illustrating your discussion of each category with an example of an environmental cost that we have incurred in 2025.	48%	**A:** Discuss costing information to support differing needs of the business	Demonstrate understanding of how to report environmental costs as prevention, appraisal, internal failure and external failure costs. Analyse the information in Schedule 1 to identify an example of each type of environmental quality cost and provide justification for why this is the case in the context of the information given and PB.	Demonstrate some understanding of how to report environmental costs. Any examples given which are drawn from Schedule 1 may not relate to the correct category and there is limited justification for each example.

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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: Costing	B: Budgeting	C: Perform-ance	D: Reporting	E: Decision making	F: Working capital	
Task 1:								
(a), (b) & (c)	Decision making					19%		**19%**
(d)	Flexible budgets		6%					**6%**
Task 2:								
(a), (b) & (c)	EOQ						17%	**17%**
(d)	IAS 2				8%			**8%**
Task 3:								
(a)	Production variances			16%				**16%**
(b)	Sustainability KPIs			9%				**9%**
Task 4:								
(a) & (b)	Beyond budgeting		13%					**13%**
(c)	Environmental costs	12%						**12%**
Pilot paper totals		**12%**	**19%**	**25%**	**8%**	**19%**	**17%**	**100%**
Blueprint weightings		***12 – 18%***	***17 – 25%***	***17 – 25%***	***7 – 13%***	***17 – 25%***	***12 – 18%***	

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Variant 2

Variant 2 focuses on a new vegan range called PB-V, which will initially include different flavours of protein bar. A new PB-V Production Facility is being set up.

TASK 1

A sales forecast is needed for the new PB-V range of protein bars. Chart 1 has been produced based on time series information showing the trend line for sales of vegan protein bars in different sales channels. This leads to sub-tasks (a) and (b). Significant property-related expenditure has been incurred on the new PB-V Production Facility, leading to sub-task (c).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Interpret** Chart 1 and Table 1 and explain what they indicate about sales of vegan protein bars in Ceeland over the last few years.	24%	**B:** Discuss budget information for the purposes of planning & control	Demonstrate understanding of what the trend lines represent with reference to the trend lines shown in Chart 1. Discuss the trend in each sales channel and the relationships between these sales channels over the period. This will include consideration of the relative sizes of the sales channels and provide some reasoning for why these have changed over the period. Demonstrate understanding of seasonal variations with reference to Table 1 and discuss the significance of these for PB.	Provide a generic explanation of trend, with little reference to the information shown in Chart 1. There will be no attempt to consider how the trends have changed over the period or the relationships between the sales channels. Provide a generic explanation of seasonal variations with limited reference to Table 1.
(b)	**Discuss** any factors that will affect the accuracy of a sales forecast for PB-V based on the information in Chart 1 and Table 1.	28%		Provide three factors that will affect the accuracy of a sales forecast, with reference to the information given and the context of PB. This may include, for example, consideration of the suitability of the information and approaches used to create Chart 1 and how PBs products differ to the market for vegan protein bars as a whole and factors affecting this market.	Provide a text-book list of the factors to consider when using a time series for forecasting with little reference to the information given or the context of PB.

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TASK 1 (continued)					
Sub-task		**% time**	**Core activity**	**A good answer for this sub-task will:**	**A poor answer for this sub-task will:**
(c)	**Apply** appropriate financial reporting standards to determine how the property-related expenditure in Table 2 will be initially recorded and subsequently measured in our financial statements for the year ending 31 December 2025.	48%	**D**: Apply relevant financial reporting standards & corporate governance, ethical & tax principles	Demonstrate technical understanding of the rules in IAS 16 for recognition, initial and subsequent measurement. Apply these rules to accurately and fully explain why an asset will be recognised, justify which expenditures will be included or not included in the initial measurement of the asset and justify how the asset will be subsequently depreciated. There will be good reference to the information in Table 2 throughout the answer.	Demonstrate understanding of some of the rules in IAS 16. However, when applying these rules, the answer will state the impact (for example, comment that a tangible asset is created or that the property adaptations can be capitalised) but not justify why this is the case (for example, because there will be future economic benefit or because the property adaptations are necessary and directly attributable to getting the asset ready for its intended use). There will be limited reference to the information in Table 2 throughout the answer.

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TASK 2

A sales forecast has been established for PB-V and the functional budgets now need to be prepared, leading to sub-task (a). An external equipment maintenance service provider needs to be engaged, leading to sub-tasks (b) and (c).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Explain**, with reference to the information in Table 1, how to construct the production, material usage and material purchases budgets for PB-V Protein Bars for the period ending 31 December 2025.	36%	**B:** Discuss budget information for the purposes of planning & control	Identify the principle budget factor (sales) and clearly explain how each of the functional budgets will be constructed with reference to sales volumes, finished good inventory levels, production volumes and raw material inventory levels for PB-V. There will be consideration of how internal and external factors will affect the interrelated budgets (for example, the impact of leads times on raw material inventory levels).	Demonstrate a lack of technical understanding of functional budgets by possibly confusing this with other types of budgeting (for example, rolling, zero based or activity based budgets). Alternatively, provide only a limited explanation of how to construct the budgets that makes no reference to the scenario.

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TASK 2 (continued)					
Sub-task		**% time**	**Core activity**	**A good answer for this sub-task will:**	**A poor answer for this sub-task will:**
(b)	**Analyse** the information in Table 2 and use it to explain the approach taken by both Robotics+ and Prestige Engineers to manage its working capital. Please make reference to each element of the working capital cycle for each service provider.	40%	**F:** Discuss the management of working capital	Analyse the information in Table 2 to explain whether Robotics+ and Prestige Engineers take an aggressive or an aggressive approach to manage working capital. A good answer will also compare the inventory, receivable and payable days of each service provider against the industry average or against each other and provide possible reasons for why there are differences.	Fail to comment on the approaches taken to manage working capital and make simple statements (such as, for example, Robotics + has higher inventory days) without any commentary on why this might be the case or the implications of this in terms of the service provider's management of working capital.
(c)	**Recommend** which service provider would be most suitable for us based on this analysis.	24%		Discuss each service provider's working capital management in the context of PB's production needs, utilising the information provided in Table 2, whilst also challenging the usefulness of this information. A clear and justified recommendation about which supplier would be most suitable is given.	Consider the suitability of the service providers in a general sense, without reference to the information in Table 2. A recommendation is not given or is not justified.

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TASK 3

Protein powder is to be added to the PB-V range and senior management need to decide whether to produce this in-house or outsource. This leads to sub-tasks (a), (b) and (c). With respect to PB-V protein bars, website orders have been lower than expected. KPIs related to website sales have been prepared, leading to sub-task (d).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Interpret** Chart 1 and explain what it indicates about the cost structure of the two options for the supply of PB-V Protein Powder.	20%	**E:** Analyse information to support short-term decision making	Interpret Chart 1 to determine the relationship between fixed costs and variable costs for each option and how these costs change as volumes change. There will be reference to the information in Chart 1, for example, identification of the fixed cost amount and reference to the volumes where one option becomes less expensive than the other option.	Demonstrate understanding of the difference between fixed and variable costs, but will fail to explain this within the context of Chart 1. There will be limited reference to the information in Chart 1.
(b)	**Apply** a risk neutral approach to the decision and discuss the suitability of this approach with reference to the information in Table 1.	24%		Apply a risk neutral approach to this decision based on the expected volume of demand, to justify that the outsource option should be chosen. Provide two reasons for why using the expected value of demand to make this decision is not a suitable approach, with reference to the information given and the context of the decision.	Recognise that a risk neutral approach is based on the expected volume of demand, but fail to justify the decision based on this. Provide a list of generic limitations of using expected value in decision making without reference to the information given or the context of the decision.
(c)	**Discuss** how weighted benefit scoring would be applied to assist with this decision, giving examples of criteria that could be used.	24%		Demonstrate understanding of how to apply weighted benefit scoring, providing examples of criteria that could be used which relate to the context of this decision or PB more widely.	Demonstrate limited understanding of how to apply weighted benefit scoring, providing no examples of criteria that relate to the context of this decision or PB more widely.

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TASK 3 (continued)					
Sub-task		**% time**	**Core activity**	**A good answer for this sub-task will:**	**A poor answer for this sub-task will:**
(d)	**Interpret** the KPIs shown in Table 2	32%	**C:** Analyse financial & non-financial information to communicate insights about organisational performance	Interpret the KPIs in Table 2 by explaining what each KPI measures (for example, shopping cart abandonment rate is a measure of how easy the website is to use). Also providing, for each KPI, possible reasons for performance against target by drawing on the scenario and events described (for example, the social media marketing campaign).	Demonstrate some understanding of what the KPIs measure, but fail to articulate this clearly. Comments on performance are limited to statements such as higher or lower than target. Few reasons are given for performance.

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TASK 4

Senior management want to review the performance of the PB-V Production Facility. The fixed overhead production variances need to be calculated, leading to sub-tasks (a) and (b). One of the senior managers has suggested reporting quality costs, leading to sub-tasks (c) and (d).

Sub-task		% time	Core activity	A good answer for this sub-task will:	A poor answer for this sub-task will:
(a)	**Explain** how the fixed production overhead expenditure, efficiency and capacity variances for the PB-V Production Facility in November will be calculated based on the information in Table 1. Please also discuss whether each variance will be adverse or favourable and provide possible reasons for each.	32%	**C:** Analyse financial & non-financial information to communicate insights about organisational performance	Explain clearly how each variance will be calculated with reference to the information in Table 1 (for example, the expenditure variance is the difference between the amount of fixed production overhead we expected to incur of C$84,000 and the amount of fixed production overhead that we did incur of C$86,700. Justify whether each variance will be adverse or favourable (for example, the expenditure variance will be adverse because we spent more than we had budgeted to spend). Provide at least one valid reason for each variance which is drawn from the scenario and the events given.	Demonstrate a lack of understanding of how fixed production overhead variances are calculated or give generic explanations of the calculations, without reference to the information in Table 1. Identify whether some or all of the variances will be adverse of favourable, but fail to justify why this is the case. Provide some reasons, but these don't necessarily relate to the correct variance or are drawn from the events given.
(b)	**Discuss** what further analysis would be useful to interpret the fixed production overhead expenditure variance based on Table 1 information.	20%		Provide sensible suggestions for further analysis of the expenditure variance (such as by type of cost and/or planning and operational variances) by placing the variance in the context of PB's wider cost categories and recent events.	Provide generic suggestions with no reference to the context of PB or the scenario given.

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TASK 4 (continued)					
Sub-task		**% time**	**Core activity**	**A good answer for this sub-task will:**	**A poor answer for this sub-task will:**
(c)	Discuss the distinction and interaction between non-conformance and conformance costs, with reference to the production of PB-V.	24%	**A:** Discuss costing information to support differing needs of the business	Demonstrate understanding that non-conformance costs are those related to quality failure (either internal or external), that conformance costs are those related to trying to stop failures (either prevention or appraisal) and that conformance costs are necessary to stop non-conformance costs. Use the scenario given to provide examples of failure, non-conformance and conformance costs.	Define non-conformance and conformance costs in a generic sense, but make no reference to the interaction between the two types of cost. Provide generic examples of types of quality cost that are not linked to the scenario.
(d)	Recommend actions that we could take to improve the overall impact of quality costs in respect of PB-V production.	24%		Recommend preventative and/or appraisal actions that could be taken to reduce failure and therefore non-conformance costs, that are based on consideration of PB's context.	Fail to recognise that investment in conformance costs is necessary to limit the impact of higher non-conformance costs. Any actions given are vague and not wholly relevant.

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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: Costing	B: Budgeting	C: Perform-ance	D: Reporting	E: Decision making	F: Working capital	
Task 1:								
(a) & (b)	Time series		13%					**13%**
(c)	IAS 16				12%			**12%**
Task 2:								
(a)	Functional budgets		9%					**9%**
(b) & (c)	Supplier working cap						16%	**16%**
Task 3:								
(a), (b) & (c)	Decision making					17%		**17%**
(d)	KPIs			8%				**8%**
Task 4:								
(a) & (b)	Production variances			13%				**13%**
(c) & (d)	Cost of quality	12%						**12%**
Pilot paper totals		**12%**	**22%**	**21%**	**12%**	**17%**	**16%**	**100%**
Blueprint weightings		***12-18%***	***17-25%***	***17-25%***	***7-13%***	***17-25%***	***12-18%***	

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