Strategic Case Study
CGMA Professional Qualification
Pilot papers and exam tutorials

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

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

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

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

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

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

   Variant 1

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

   Variant 2

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

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

If you need any more information, please contact us.

Strategic Case Study Examination

Case Study Pilot Paper

Pre-seen material

Context Statement

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

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

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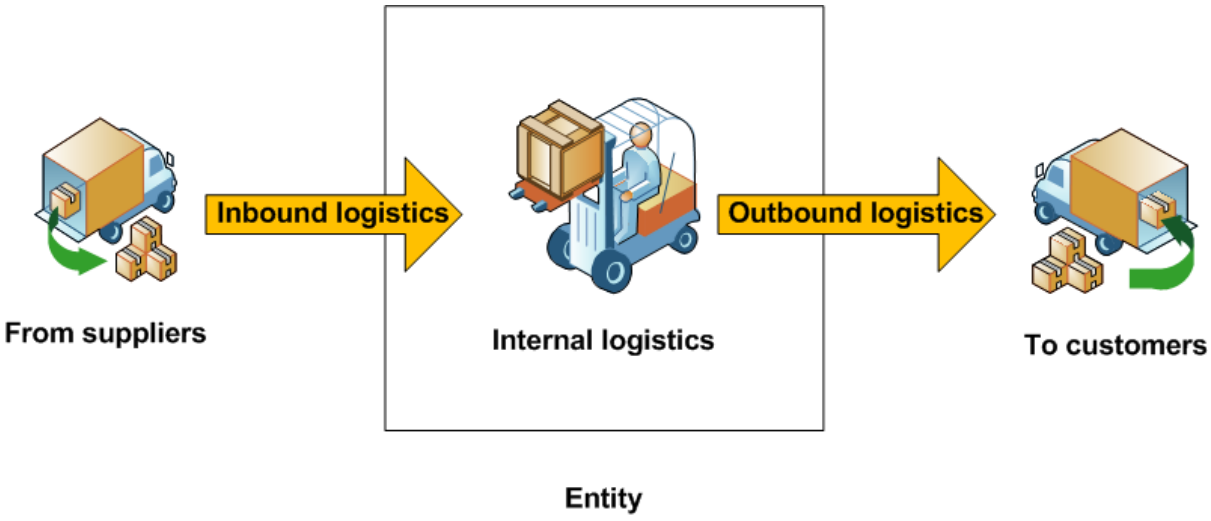
Introduction

Daistruk is a quoted company that offers a logistics service.
You are a senior manager in Daistruk's finance function. You report directly to the Board and advise on special projects and strategic matters.
Daistruk is based in Roundland, a developed country that has an active and well-regulated stock exchange. Roundland's currency is the R$. Roundland requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

Logistics

Logistics is a broad term that encompasses the process of managing the flow of goods, ensuring that they reach their intended destination on time. Logistics includes the planning, implementation and control required to ensure the safe and efficient management of that flow as well as the physical transportation of materials and products.

Most logistics systems involve the following:



Inbound logistics focus on the procurement of goods:

- receiving and checking goods (which may take the form of parts, materials and/or finished products)
- storing goods (if necessary)
- updating inventory records

Internal logistics involves handling goods within the entity, excluding inbound and outbound logistics:

- managing goods
- maintaining inventory records

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Outbound logistics involves processes associated with the movement of goods to customers:

- warehouse picking
- packing
- despatch
- recording

Outbound logistics also includes reverse logistics whereby goods move from customer to the entity. That may be due to the return of defective goods or the recycling of products or packaging.

Each stage in the flow of goods depends upon the maintenance and communication of accurate information. Logistics requires the effective communication of information both within the entity and between the entity and its suppliers and customers.

The scale and complexity of logistics varies between entities, depending on their size and the nature of their business. For example, a manufacturer such as Malttor Motors has very different needs from a retailer such as Muddocks Supermarkets:

Malttor Motors 	Malttor Motors is a global manufacturing company that has 52 factories spread across 31 countries. Each factory mass produces a specific product that may then be shipped to other factories as required. For example, all of Malttor's petrol engines are manufactured at a factory in Eastland. • The engine factory's inbound logistics focus on the procurement of engine parts and materials. • Internal logistics manages the inventory of parts and materials, supplying the factory when required. • Outbound logistics stores completed engines, shipping them to the Malttor factories that assemble cars. Each of Malttor's factories has its own logistics system, interacting with third parties and with other factories in the Group as appropriate. Malttor's logistics are complicated by the need to ship often heavy and expensive components and assemblies between factories. Malttor's cars must then be shipped to dealers in the many countries where Malttor's cars are sold.
Muddocks Supermarkets	Muddocks Supermarkets is one of the largest supermarket companies in

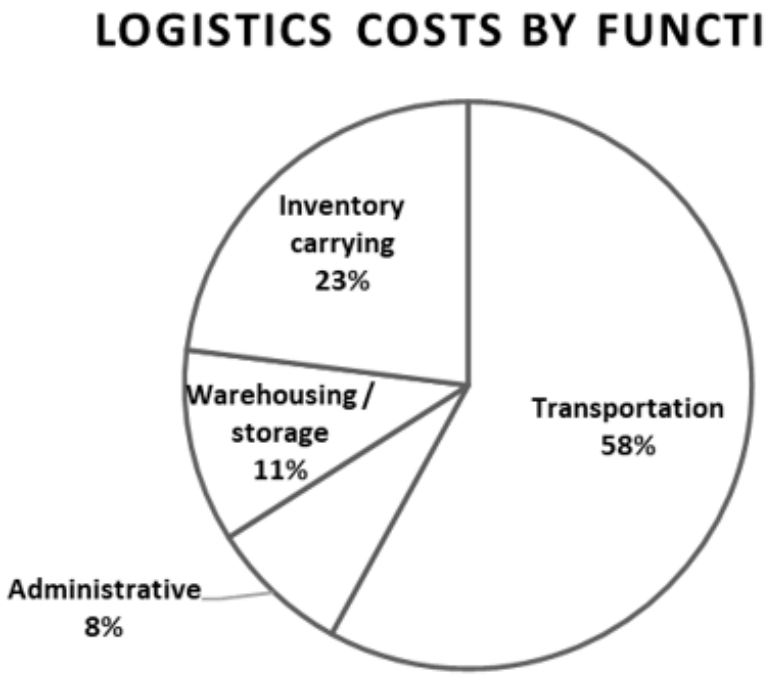
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Roundland. It has 1,270 stores and 37 warehouses in the country.

- Inbound logistics focusses on deliveries by food manufacturers to Muddocks's warehouses, each of which covers a geographical region. Perishable goods such as milk are delivered directly to shops by suppliers.
- Internal logistics manages inventory at the warehouses and shops. Muddocks uses lorries to replenish shops with goods from its warehouses.
- Most sales are direct to customers who collect their own goods. Some sales are made through the Muddocks website, and so there is an outbound logistics function that handles deliveries to customers' homes.

Businesses spend a vast amount on logistics. The total cost incurred by Roundlandian businesses for the year ended 31 December 2022 has been estimated at R$226.2 billion. That total can be broken down as follows:



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Inhouse or outsourced

Logistics can be managed in-house or outsourced to a contractor. Very few large organisations manage their own logistics because it is more efficient to outsource to a specialist. It is possible to outsource some or all elements of logistics:

1PL	A first-party logistics provider is a business that manages its own logistics.
2PL	A second-party logistics provider handles the transportation element of the flow of goods, acting on the instructions of a client. The client retains responsibility for managing its logistics.
3PL	A third-party logistics provider provides a wide range of services associated with logistics, from warehousing goods to their delivery.
4PL	A fourth-party logistics provider extends the 3PL model by taking responsibility for the strategy underlying logistics. Some 4PL providers employ external 3PL companies to provide transportation and warehousing.

Most large businesses use some variation of the 3PL arrangement, which potentially offers a number of advantages:

- 3PL providers offer expertise that can improve the reliability of logistics while reducing costs.
- 3PL providers may use their own warehouses and vehicles, in which case clients need not invest in property, plant and equipment.
- 3PL providers can offer flexibility in the event of changing needs. Clients may be able to add or release capacity in response to changing demand.
- 3PL providers can resolve problems affecting the flow of goods without the need to distract clients' management teams.
- 3PL providers can take responsibility for managing legal requirements such as licences and safety requirements.

Those advantages may not always be realised in practice. For example, there can be seasonal variations in demands for storage space, and so 3PL providers may not always be able to offer flexibility at busy times of year.

Shared vs dedicated 3PL

Some clients negotiate exclusive arrangements for the use of a 3PL's resources. These "dedicated" arrangements grant exclusive use of specific assets belonging to the 3PL provider. That could mean that a number of vehicles will be painted in the client's colours and will be used on that client's business, or a warehouse could be set aside for the client's exclusive use.

Shared arrangements do not guarantee the exclusive use of assets. The 3PL provider is free to, for example, use a vehicle to carry several part loads for different clients in one trip, or to carry a load for one client on the outward journey between two locations and another load for a different client on the return journey. A warehouse could also have areas set aside for different clients within the same building.

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Dedicated arrangements may be more cost-effective than shared for companies that have high volumes of goods to transport in accordance with a regular schedule so that vehicles can be kept full. They may also be beneficial for clients who have specialised needs such as goods that require specialised storage or transportation arrangements.

Storage



Logistics management usually requires warehousing or other forms of storage that permit goods to be stored safely until they are required at the next stage of their journey. The number, size and location of storage facilities must be decided.

Storage sites must be large enough to provide sufficient capacity. They must also be accessible to whatever mode of transport will make deliveries or collections, whether that be road, rail, sea or air. Locations can also affect transportation costs due to distances between nodes.



Storage facilities must be configured and equipped to handle the goods that will flow through them. For example, goods are often carried on wooden pallets so that they can be lifted by forklift trucks. That usually requires warehouses to have loading docks that enable forklifts to drive into cargo trailers when loading or unloading. The main storage space in the warehouse will then have to permit free and safe movement of forklifts so that pallets can be placed in storage or picked for despatch.

Different types of racks can be installed to make the best possible use of available space, taking account of the weight of a typical pallet (for instance, pallets of electronic goods will generally be lighter than pallets of tinned foods).



Warehouses can be automated, reducing the need for staff by using conveyor belts to move goods. It is also possible to use robots to pick and carry goods, placing them in their assigned storage location or preparing them for despatch.

This type of automation is frequently associated with the fulfilment of online sales. Despatches might comprise a single item or a small number of different products, picked from a large warehouse that stores many different products.

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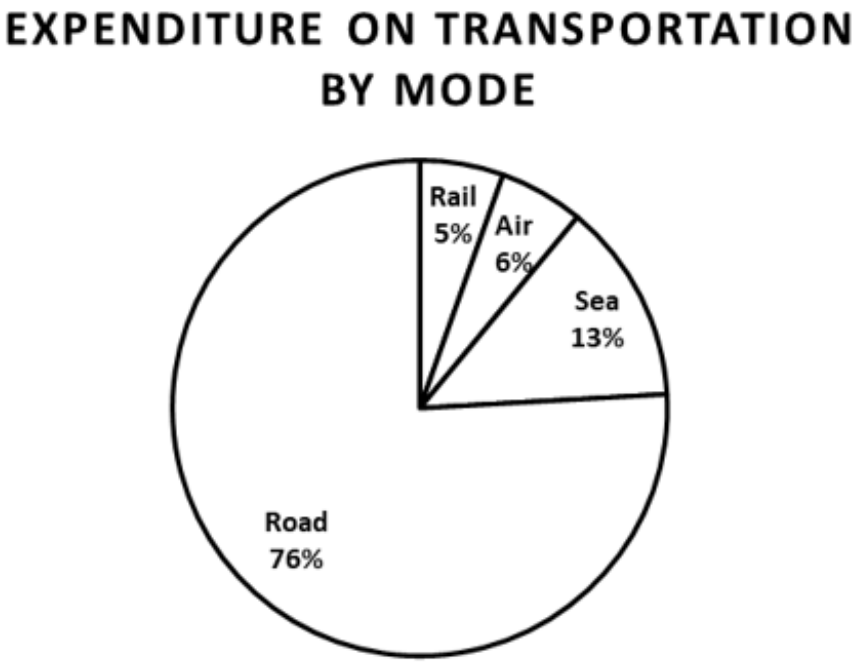


Many products require specialised facilities for handling and storage. For example, liquids require tankers and storage tanks. Grain and other crops require their own equipment for collection and storage.

Different types of goods can also raise safety concerns if they are flammable or toxic and must be handled with care. Or there may be hygiene issues with goods that are intended for human consumption, either as food products or ingredients.

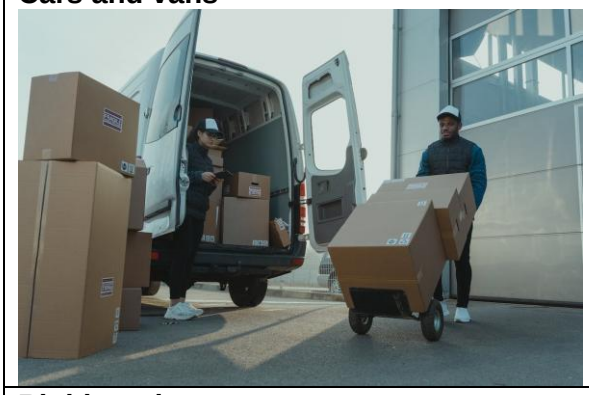
Road transport

Road vehicles account for most of the expenditure on transportation for logistical purposes:



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Road transport takes a variety of different forms:

Cars and vans 	Cars and vans can be an efficient means of carrying small loads, particularly when making multiple deliveries over the "last mile" for an online retailer. Drivers do not need to have special licences, and so recruitment and retention are simplified for employers. Some larger vans can accommodate a pallet and can be loaded and unloaded by forklift.
Rigid trucks 	Rigid trucks consist of a chassis with a cab for the driver and a load compartment. Manufacturers usually supply these vehicles without a load compartment. Third-party suppliers can then add a load space that best meets the buyer's needs. For example, the load compartment could have flexible "curtain" sides that can be opened to make it easier to load and unload with a forklift or the load compartment might be refrigerated. Rigid trucks are available in a variety of sizes. Roundlandian law permits trucks of up to 7.5 tonnes to be driven by holders of standard driving licences. Larger trucks require a heavy goods vehicle licence. 18-tonne trucks are a popular size because they are well suited to carrying pallets of goods.
Articulated trucks 	Articulated trucks consist of a tractor unit and a trailer. The tractor unit has the driver's cab, the engine and the fuel tanks. The trailer carries the load. Tractors and trailers are designed to be interchangeable, to the extent that a trailer can be left at a destination for loading and the tractor can be hitched to another trailer for the return journey. Trailers come in a variety of different configurations, allowing buyers to specify the manner in which they will be loaded and unloaded as well as the ability to specify trailers that are suited to different types of cargo. Drivers must have heavy goods vehicle licences before they can drive an

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	articulated truck, even if it is a bare tractor unit without a trailer. Some tractor units come equipped with a sleeping compartment, which enables the driver to park overnight and sleep in the cab.

Rail



Rail transport offers a number of advantages over road:

- Rail transport is generally more sustainable than road transport with lower emissions per tonne/kilometre.
- Using rail reduces congestion on the roads. It is estimated that each trainload of goods replaces 75 articulated truckloads on the roads.
- Rail can be more reliable in terms of on-time delivery, which can be beneficial when scheduling the movement of goods for immediate use.
- Rail transportation is often much cheaper, particularly for the carriage of materials in bulk.

Rail can be used to carry a range of products. Wagons come in a variety of different configurations, including open wagons for raw materials such as iron ore, tankers for liquids and wagons adapted for special loads, such as cars and vans.

The usefulness of rail depends largely on the location of facilities that are convenient for loading and unloading at either end of a load's journey.

Roundland has an extensive network of railway lines that are used for passengers and freight. All of the country's seaports have rail connections to their freight docks, and so it is possible to offload ships directly onto trains. The railway lines are used by several rail operators, enabling logistics companies to offer both rail freight and road for the transportation of goods.

Sea

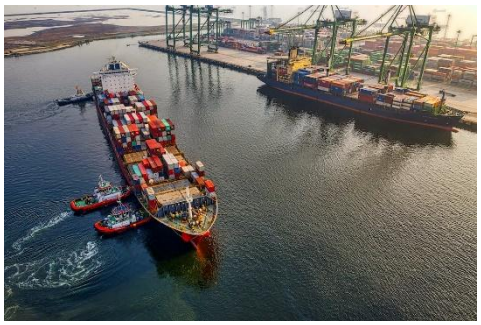


It may be necessary to use sea freight simply because there are no alternatives when goods are to be transported to or from a distant location. For example, Roundland imports large quantities of grain from Northland which is on the far side of the Western Ocean. That grain is transported to ports in Roundland on bulk carriers. The grain is then transported by road or rail to factories where it is used to make bread and other products.

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Bulk carriers have open holds that can carry large quantities of goods such as grain, ore or coal. Each type of load requires specialised equipment to allow it to be loaded and unloaded quickly and efficiently. Bulk goods are often loaded into open-topped railway wagons at the dockside.

Liquids such as oil are carried on tanker ships. Liquids can be pumped from tankers into storage tanks by the dockside. Those liquids can then be pumped to smaller ships or into tankers towed by trucks or railway locomotives for onward transportation.



Container ships carry goods in shipping containers, which allow for rapid loading and unloading. Many ports have container terminals that are equipped with cranes designed to lift containers. Once unloaded, containers can be stacked ready to reload onto another ship. Containers can also be loaded onto trucks or trains. Containers are standard sizes, which makes them easy to manage.

Shipping containers can also be brought to ports on railway wagons and trucks, making them a flexible means of transporting goods for export.

Articulated trucks can be carried on car ferries, which can allow for flexibility in making sea crossings that are served by ferry routes. There are six major ferry ports on Roundland's south and east coasts, and all are used by trucks to carry freight between Roundland and foreign destinations. Roundland is a large island that has no road or rail links to other countries.

Most 3PL logistics providers can manage the documentation associated with imports and exports by sea, in addition to making the necessary arrangements to charter ships or to organise the carriage of shipping containers by sea.

Air

Freight can be carried by air, either on dedicated cargo aircraft or in the holds of passenger aircraft, alongside luggage.

Airfreight is generally suited to high-value goods that are small enough to be carried economically. It may also be necessary to consider airfreight for the transportation of goods that are either urgent or that are perishable. For example, fresh fruit and vegetables account for 10% of the weight of airfreight arriving in Roundland. Some varieties must be imported from countries with warmer climates and must be flown rather than shipped because they are unsuitable for freezing and would not remain edible for the duration of a sea voyage.

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Cargo aircraft are configured to carry only freight. They can accommodate large items that are required urgently and so cannot be transported by overland or by ship, or large volumes of pallets, such as high value electronics that must be transported quickly and securely.

It is possible to charter a cargo aircraft for a single urgent load or for regular deliveries of an item that requires the speed or security of airfreight.

It is also possible to book consignments of freight onto the cargo aircraft operated by the major courier companies. Those companies have regular flights between major transport hubs in most industrialised countries.



Most airfreight is carried in the holds of passenger aircraft. Airlines do not require all their hold space for passenger luggage and can generate significant additional revenue by carrying cargo. Goods must fit onto the standard pallets used for airfreight and clear the door to the aircraft hold.

All large airports are equipped to handle freight. It is possible to transfer freight between aircraft on connecting flights when there is no direct flight between a load's origin and its final destination.

It can be complicated to manage airfreight. Many 3PL providers work with third-party specialists to deal with clients' needs.

Intermodal

Intermodal transport involves the use of two or more modes in a single journey. For example, a shipping container might arrive at a Roundlandian port by sea, be offloaded onto a railway wagon that carries it to a terminal at which it is loaded onto an articulated truck for delivery to its final destination.



Intermodal transport frequently involves freight that is being carried in shipping containers. These can be stacked on the decks of container ships or loaded onto wagons on freight trains or trailers on articulated trucks. The containers can also be stacked on land for storage purposes, enabling goods to be stored without the need for warehouse space to protect them.

Shipping containers are standardised in terms of their size and the fittings that are used to secure them on a ship, train or truck. Those same fittings are also compatible with the hoists used for loading and unloading at ports and road and rail terminals. Containers can be purchased with refrigeration, air conditioning and other systems that enable them to be used to prolong the lives of perishable goods during transportation and storage.

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Intermodal transportation can offer rapid and efficient movement of goods in comparison to single mode transport. For example, it may be cheaper to use an articulated truck to transport manufactured goods from a factory to the nearest rail terminal and have them complete their journey by freight train rather than making the entire journey by road.



The intermodal transport can be made more efficient by using inland ports. These are basically rail terminals that are not served by a seaport. They are usually located close to both main railway lines and motorways so that they can act as distribution centres, offering flexibility in the collection and onward movement of goods. They also have storage facilities to enable goods to be offloaded and held until they are needed.

It is often cheaper to take goods arriving by ship to an inland port for storage or distribution. Seaports usually have good rail links, but it can be expensive to store goods there because of restrictions on space. Similarly, goods can be offloaded at an inland port before taking them by rail to a seaport.

Inland ports can also be used for transporting goods within the country. They can make it cost-effective to transfer goods from road to rail, even if the railway journey is relatively short.

About Daistruk

DAISTRUK

Daistruk was established in 1958 as a transport company to move building materials for the construction of a large steelworks that was being built in its hometown. The company grew rapidly, expanding its client base and buying additional vehicles and employing more drivers. By 1974, it was transporting loads by road across the whole of Roundland. Daistruk was quoted on Roundland's stock exchange in 1978. The company now employs 22,000 people, including 7,000 drivers.

Daistruk is now one of the largest 3PL logistics providers in Roundland. It provides intermodal logistics management services to many large organisations including:

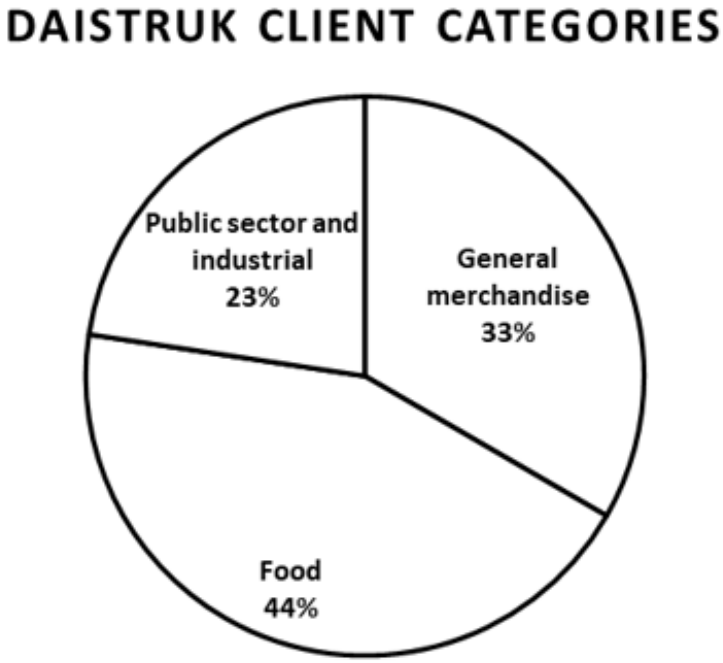
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Inventory management	Daistruk provides IT-based services to manage customers' inventory and enhance efficient transport: • Planning and optimisation of uplifts and despatches • Data capture and analysis • Optimisation of vehicle utilisation • Modelling and decision making with respect to inventory holding Clients provide Daistruk with access to relevant data held on their enterprise resource planning (ERP) systems. Daistruk uses a warehouse management system (WMS) to track inventory levels and movements of goods. Daistruk can manage elements of a client's supply chain. Clients may issue instructions relating to the movement of goods, or they may ask Daistruk to monitor and manage inventory at different locations. For example, a supermarket client might pay Daistruk to replenish shops using goods held under Daistruk's management and at Daistruk's discretion, provided the shops do not run out of products and have space for the incoming deliveries.
Shared user storage and handling	Daistruk has 35 warehouses spread across Roundland. These are used to store and despatch goods. Clients are charged on the basis of the storage space occupied and the length of occupancy, with additional charges for inventory handling. Inventory handling includes checking incoming goods, putting them into storage and collecting them and processing them for despatch. The warehouses have areas set aside for the storage and handling of different types of goods, including temperature and humidity-controlled areas for storing food and secure areas for the storage of high-value items.
Outsourced warehouse management	Daistruk operates 90 warehouses belonging to clients, providing both labour and all aspects of inventory handling.
Shared usage transport	Daistruk owns 4,500 articulated tractor units and 6,500 trailers. All are available for shared usage. That enables goods to be carried as part-loads, which reduces transportation costs. It also makes it possible for trucks to backhaul loads on the return journey, again offsetting running costs for clients. Shared usage reduces the number of vehicles on the roads, making this a more sustainable means of operation. The company's trailer fleet includes 800 tankers that can carry liquids or powder. 600 of those are available for the carriage of fuel and chemicals. The remainder are for the carriage of foods, including milk and vegetable oils. The company has a further 1,000 smaller vehicles, including rigid trucks and vans, to offer a flexible and efficient service.

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Rail transport and intermodal	 Daistruk owns ten railway locomotives that pull loads on Roundland's national rail network. These operate continuously, with each trainload carrying the equivalent of up to 80 articulated trucks' worth of goods. Daistruk owns two inland ports in Roundland, in addition to the 35 warehouses that it uses for shared storage. The inland ports are used primarily for the short-term storage of goods that are in shipping containers and for switching shipping containers between trains or between rail and road transport. Daistruk can manage the import and export of goods by sea, using both trucks and trains for deliveries to and collections from Roundland's seaports. The company does not own its own ships, but it works closely with shipping companies to organise cargo for its clients. Daistruk's staff can also manage the documentation and other administrative issues associated with customs regulations. The company can make similar arrangements for air cargo.
Specialised loads	 Daistruk offers a specialised service for the transportation of oversized loads. Clients in the construction industry often need to move large items such as wind turbines. These require specialised equipment and specially trained and licenced drivers.

Daistruk has three main categories of client:



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Some customers do not fit within a single category. For example, Muddocks Supermarkets is one of Daistruk's largest clients in terms of revenue. Each of Muddocks's shops sells clothes and household goods as well as food. Where appropriate, Daistruk will use the same truck to deliver both food and non-food items to shops. Muddocks also sells fuel to motorists and has filling stations at most of its shops, and so Daistruk also provides tanker services.



Daistruk's IT systems track client inventory in real time. Clients can access information relating to their inventory and can instruct Daistruk to organise movements of goods. Those instructions are sent electronically. For example, Muddocks Supermarkets may wish five shipping containers of tinned goods to be collected from the docks, transported to a warehouse and unloaded by forklift. Daistruk would acknowledge the instruction and would then ensure that suitable vehicles were assigned to meet the ship. Drivers would be assigned to this task and told which trucks and trailers they should use.

Daistruk's IT systems also track the services being provided for clients. These are priced in accordance with the nature of the support being offered. For example, inventory stored on pallets at one of Daistruk's warehouses will be charged at a daily rate per pallet, with additional charges for any movements, such as unloading a trailer or a container or picking items to make a load for despatch.

All of Daistruk's vehicles are fitted with electronic trackers that update the transportation staff on their locations and status at all times. Transportation staff, supported by software, can manage loads and select the most efficient routes, which can be helpful when part loads must be carried and offloaded. For example, Muddocks might wish to replenish six of its shops with a variety of cleaning materials. Daistruk's warehouse staff would receive electronic instructions telling them which pallets to pick and the order in which they are to be loaded onto the trailer. The truck driver would then drive from shop to shop, following a route that both minimised time and distance and maximised the overall efficiency of each delivery.

Daistruk's IT systems can monitor the estimated time of arrival at each location. Delays due to traffic or weather conditions can be predicted and revised routes can be sent to the satnav system in each truck. If a delay cannot be avoided, then the systems will send a warning to the client.

Apart from monitoring delivery times, Daistruk must also ensure that its drivers do not exceed their permitted hours. Roundlandian law makes it an offence for a driver to drive for more than 9 hours each day. That limit is in place to reduce the risk of drivers losing concentration or falling asleep while driving.

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Extracts from Daistruk's annual report

Daistruk's mission and values

Daistruk's mission

Daistruk gets things done.

Daistruk's vision

Daistruk's vision is to have a positive impact on all stakeholders through the provision of sustainable supply chain strategies and services.

Daistruk's core values

- Daistruk is passionate about providing excellent service.
- Daistruk delivers excellent service at all times.
- Daistruk acts with integrity in dealing with its stakeholders.
- Daistruk trusts and respects its employees and provides a safe working environment.

Daistruk's Board of Directors

Mabalemi Maleka, Non-Executive Chair

Mabalemi had a long and successful career as a politician, including spending 2 years as a junior minister for railways. She has now retired from politics. In addition to her position on Daistruk's board, she is a visiting professor of economics at Central City University. Mabalemi joined Daistruk's Board in 2020.

Henrik Gerding, Chief Executive Officer (CEO)

Henrik has a degree in computer science. He worked in software development with a major IT company before joining Daistruk as a senior manager in the company's data centre. Henrik joined Daistruk's Board as Chief Information Officer (CIO) in 2016. He was promoted to Chief Executive Officer in 2020.

Doreen Sumpat, Chief Operating Officer (COO)

Doreen holds a heavy goods vehicle licence. She worked in a food warehouse after leaving school, during which time she learned to operate forklifts. She went on to learn how to drive

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articulated trucks. She joined Daistruk in 2002 as a trainee warehouse manager. She completed a part-time MBA degree, after which she was promoted to various management roles within the company.
Doreen joined Daistruk's Board in 2017.

Rasim Hamid, Chief Finance Officer (CFO)

Rasim is a qualified accountant. He spent much of his career working for a leading supermarket company, during which time he completed his professional training and worked his way up to a senior management role in the finance function. He joined Daistruk in 2015 as Chief Accountant and was promoted to CFO in 2019.

Andrea Lopes, Chief Information Officer (CIO)

Andrea studied data science at university. After graduating, she worked in logistics management with a variety of manufacturing companies. She joined Daistruk in 2017 as a senior IT manager. She was promoted to her present position on the Board in 2020, replacing Henrik Gerding as CIO.

Max Foster, Human Resources Director

Max has significant experience of human resource management at a senior level. He was HR Director at a major quoted construction company before joining Daistruk's Board in 2020.

Professor Hongyu Liu, Senior Independent Director

Hongyu had a successful career in academia, latterly as a professor of management science at Capital City University. She joined Daistruk's Board as an independent director in 2019, combining that with convening the Management Committee of Capital City Hospital. She was appointed Daistruk's Senior Independent Director in 2021.

Khaled Abbas, Independent Non-Executive Director

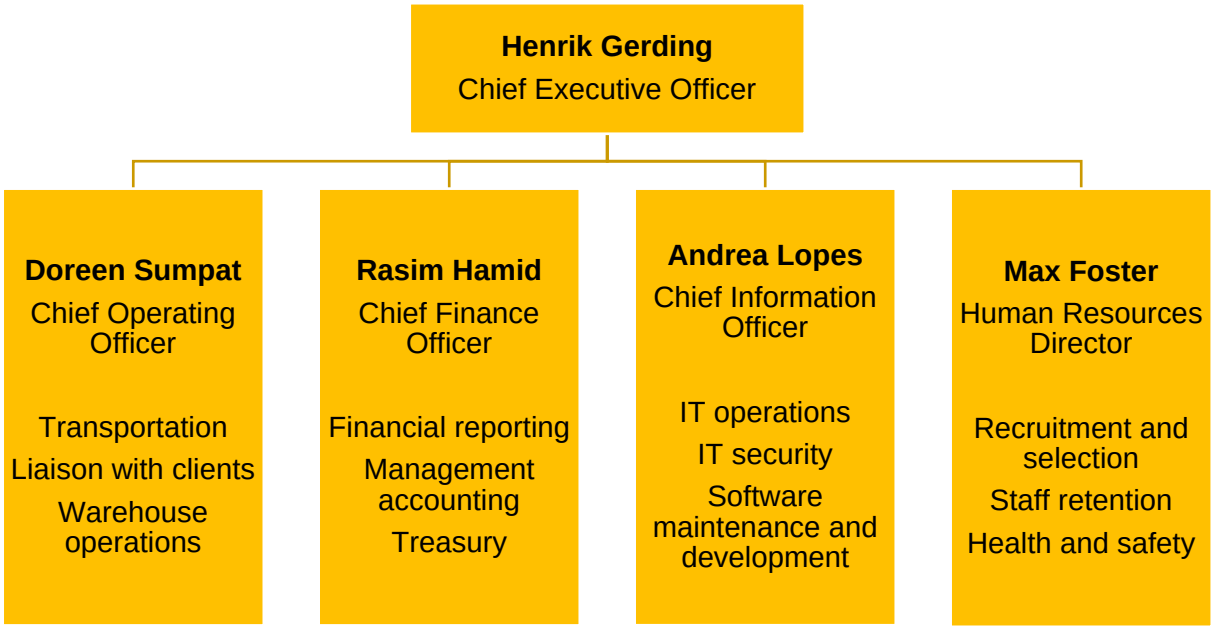
Khaled has an engineering background. He spent most of his career worked for a leading vehicle manufacturer, latterly as Director of Innovation. He retired from full-time employment in 2018. Since then, he has combined his role on Daistruk's Board with convening a professional engineering body's outreach programme to encourage school pupils to consider a career in engineering.

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Nathalie Brulat, Independent Non-Executive Director

Nathalie worked for Roundland's Department of Transport for most of her career. She had reached a senior position by the time of her retirement. She was involved in drafting legislation on a variety of issues, including revisions to motorway speed limits and updating the tests required for driving licences. Nathalie joined Daistruk's Board when she retired from government service in 2021.

Directors' responsibilities



	Board committees			
	Audit	**Risk**	**Remuneration**	**Nomination**
Mabalemi Maleka Non-Executive Chair	♦	♦		♦
Professor Hongyu Liu Senior Independent Director	♦		♦	♦
Khaled Abbas Independent Non-Executive Director	♦	♦	♦	
Nathalie Brulat Independent Non-Executive Director		♦	♦	♦

Daistruk's Chief Internal Auditor reports to the convener of the Audit Committee.

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Daistruk's Principal Risks

Risk impact	Risk mitigation
Daistruk's activities create significant health and safety risks. Handling goods and operating delivery vehicles can put employees and others at serious risk of injury. Daistruk's operations can also risk damage to property belonging to third parties, including clients' goods, premises and vehicles.	All staff receive health and safety training during their induction. Ongoing training is provided. Daistruk has detailed procedures in place to minimise the risks of injury and damage to property. Those procedures include the need for specific training relating to tasks and the operation of equipment. Detailed records are maintained about all events that have caused injury or damage or that had the potential to do so.
Clients depend on Daistruk for the prompt and reliable movement of goods. Any failure to meet schedules is both visible and potentially damaging to business relationships.	Daistruk has comprehensive IT systems that manage the movement of goods and that can predict any delays and alert transportation management staff so that action can be taken and clients can be kept informed.
Daistruk relies heavily on its IT systems to ensure that all movements of goods are planned and executed on time and as efficiently as possible. The company's IT systems are potentially vulnerable to attack or downtime due to problems with hardware or software.	Daistruk's IT managers are vigilant with regard to monitoring potential threats and responding accordingly. All systems, including security software, are kept up to date at all times. The threat of emerging vulnerabilities is evaluated, seeking advice and conducting penetration tests where appropriate.
Daistruk relies heavily on its ability to recruit and retain employees to fill key roles, including drivers with the heavy goods vehicle licences that are required to drive articulated trucks.	The Board pays close attention to rates of staff turnover and responds to any threats. Daistruk ensures that staff pay is competitive with respect to the rest of the industry.

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Daistruk Group

Consolidated statement of profit or loss for the year ended 31 December

	2024 R$ million	2023 R$ million
Revenue	1,989	1,810
Operating costs	(1,850)	(1,701)
Operating profit	139	109
Finance costs	(14)	(13)
	125	96
Tax expense	(15)	(12)
Profit for the year	110	84

Daistruk Group

Consolidated statement of changes in equity for the year ended 31 December 2024

	Share capital R$ million	Retained earnings R$ million	Total R$ million
Opening balance	100	310	410
Profit for year		110	110
Dividend		(92)	(92)
Closing balance	100	328	428

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Daistruk Group

Consolidated statement of financial position as at 31 December

	2024 R$ million	2023 R$ million
Assets		
Non-current assets		
Property, plant and equipment	530	511
Goodwill	91	91
	621	602
Current assets		
Inventory	3	2
Trade receivables	290	257
Bank	32	28
	325	287
Total assets	946	889
Equity		
Share capital	100	100
Retained earnings	328	310
	428	410
Liabilities		
Non-current liabilities		
Borrowings	280	260
Current liabilities		
Trade payables	224	206
Tax liability	14	13
	238	219
Total equity and liabilities	946	889

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Extract from competitor's financial statements

Daistruk is one of the largest 3PL logistics providers in Roundland. Its biggest competitor is Carree, which provides a similar range of services to Daistruk's, including a full intermodal service.

The logistics industry is very competitive. Most large entities have outsourced this function already. The volume of available business depends on the level of economic activity.

Carree Group
Consolidated statement of profit or loss for the year ended 31 December

	2024 R$ million	2023 R$ million
Revenue	2,347	2,154
Operating costs	(2,128)	(1,939)
Operating profit	219	215
Finance costs	(12)	(12)
	207	203
Tax expense	(25)	(24)
Profit for the year	182	179

Carree Group
Consolidated statement of changes in equity for the year ended 31 December 2024

	Share capital R$ million	Retained earnings R$ million	Total R$ million
Opening balance	300	105	405
Profit for year		182	182
Dividend		(155)	(155)
Closing balance	300	132	432

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Carree Group

Consolidated statement of financial position as at 31 December

	2024 R$ million	2023 R$ million
Assets		
Non-current assets		
Property, plant and equipment	592	570
Goodwill	100	100
	692	670
Current assets		
Inventory	4	3
Trade receivables	329	280
Bank	36	32
	369	315
Total assets	1,061	985
Equity		
Share capital	300	300
Retained earnings	132	105
	432	405
Liabilities		
Non-current liabilities		
Borrowings	300	300
Current liabilities		
Trade payables	305	258
Tax liability	24	22
	329	280
Total equity and liabilities	1,061	985

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Share price history



Daistruk's beta is 1.27.

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Sustainability

Governance	Daistruk's Board takes responsibility for setting the direction of the Group's sustainability strategy. The Audit Committee's responsibilities include monitoring disclosures contained in sustainability reports and ensuring compliance with controls relating to sustainability in operations.
Strategy	Daistruk takes great care to ensure that it understands its environmental impact. All operations are studied in depth in order to gauge the materiality of any damage that is being caused. Daistruk works closely with stakeholders in order to identify opportunities for the reduction of waste and of emissions. Daistruk is committed to being net zero carbon by 2040.
Risk management	Concerns about the consumption of fossil fuels have caused both statutory and reputational risks for companies that rely heavily on the movement of goods by road and rail freight. Daistruk has been proactive in setting targets for reductions in its carbon emissions. The Roundlandian government is aiming for the country to achieve net-zero carbon emissions by 2052. Daistruk has actively pursued the use of new technologies to reduce emissions.
Metrics	Daistruk tracks consumption of scarce resources in terms of litres of fuel consumed and emissions in terms of CO2e (carbon dioxide equivalents). During the year ended 31 December 2024, Daistruk consumed 218 million litres of fuel and caused emissions of 588 thousand tonnes of carbon dioxide equivalents.

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News stories

Happy Comic

@ Questions | Games | Quizzes | Science | Nature

Readers' questions



Question: I see lots of trucks carrying shipping containers. How do they transport goods that can't be carried in a big metal box?

Anita, age 11

Answer: Shipping containers have standard dimensions that makes them easy to stack on the decks of cargo ships. Being a standard size also makes it easy to carry them on trailers towed by articulated trucks and on railway wagons. Containerloads of goods can be transported all over the world, getting transferred between ships, trains and trucks without having to be unloaded until they reach their destination.

Most containers are just metal boxes, which are ideal for carrying a huge range of goods ranging from mobile phones to fruit. It is, however, possible to create containers for other purposes. For example, there are containers that open at the top which makes them ideal for loading and unloading bulk products such as wheat and grain. Containers can also be supplied as tanks for carrying liquid or gas. Those are built into a frame that lets them stack with standard metal containers and they also fit on the same trailers and wagons as standard containers.

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Happy Comic

@ **Questions** | **Games** | **Quizzes** | **Science** | **Nature**

Readers' questions



Question: Why do some trucks have big curtains along the side? Wouldn't metal be a lot stronger?

Rocco, age 12

Answer: Some trucks and some shipping containers are designed to open at the side. In fact, they are called "curtain sides". The side openings make it easier to load and unload them using forklift trucks. That can be very convenient if goods at the front of the container have to be unloaded first.

The curtains are made out of very strong material, so they don't tear easily. Also, the cargo is secured to the floor, so the load doesn't lean against the curtain.

You might not have noticed, but some trucks have curtain tops. The sides are solid, but the roof is a sliding curtain that can be opened and closed. That can be very convenient when loading loose goods such as coal, which can be poured in once the top has been slid open.

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Happy Comic

@ **Questions** | **Games** | **Quizzes** | **Science** | **Nature**

Readers' questions



Question: My Dad operates a forklift at South City Port, but he doesn't have a licence to drive a car. Is he breaking the law?

Asim, age 11

Answer: The good news is that there is no need to have a car licence in order to operate a forklift truck. Forklift drivers do, however, need to have completed a formal training programme. That is important because forklifts can be difficult to drive. Loads can make a forklift very unstable if the forks are lifted too high. They can also block the driver's view of anything (or anyone) in the road ahead.

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Roundland Telegraph

Travel | Business | Politics | Science | World | Weather

Roundland's first fully automated container terminal



Daistruk, the major logistics company, has just completed the modernisation of both of its inland ports.

Both ports have now been fully automated by the purchase of 40 Vivibon 3000 straddle carriers, all of which are fully automated. Software and sensors enable these carriers to operate without a driver. They can load and unload both trucks and railway wagons, carrying fully-laden shipping containers to their desired location, either transferring them from one vehicle to another or stacking them up to four units high for temporary storage.

A spokesperson for Daistruk commented that the modernisation meant that the company could carry even more goods by rail instead of by road. The automation improves reliability because the company will be less vulnerable to shortages of skilled crane drivers.

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Roundland Daily

Travel | **Business** | **Politics** | **Science** | **World** | **Weather**

Motorway chaos disrupts holiday travel



Three trucks carrying oversized loads created a massive holdup on the M12 Motorway, delaying holidaymakers who were attempting to catch flights from Central City Airport which is located by the M12.

The trucks in question belong to Daistruk, the logistics company. A spokesperson told the Roundland Daily that the vehicles had been scheduled to leave at 4.00 that morning, but a mechanical problem with one of the vehicles had delayed departure by 2 hours. That meant that the trucks and their escorts were passing the airport during the morning rush hour, holding up traffic in the process. The size of the loads meant that the trucks occupied two lanes of the motorway, leaving only a single lane for motorists trying to get to the airport and beyond, which caused substantial tailbacks of traffic. The large loads also meant that the trucks were restricted to 40 kilometres per hour.

There are very strict rules concerning the carriage of oversized loads on public roads. These include the need for drivers to be accompanied by attendants in the cabs of their trucks, vehicles to be fitted with marker boards and additional lighting and the provision of escort vehicles to prevent road users from getting too close to the load. There are also strict rules on the maximum size and weight that can be carried.

Central City Police confirmed that they had been notified of the load. Daistruk had complied with all applicable regulations. No accidents had been reported.

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Roundland Telegraph

Travel | Business | Politics | Science | World | Weather

Green loans are becoming more popular



Green finance is becoming increasingly popular. Most green debt and equity finance is provided by traditional lenders and institutional investors, who enjoy the reputational benefits of being seen to be supporting sustainable business. Many depositors are keen to avoid supporting unsustainable ventures.

The recipients of green finance also benefit from both the reputational advantage of having met the criteria for the provision of green finance and also the (small) reduction in the cost of debt for green loans. Applicants for green finance must meet the usual criteria for normal finance in addition to the sustainability criteria that makes the application “green”.

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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	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 50% (b) 50%
3	60	1	2	(a) 40% (b) 60%

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

You have received the following email:

From: Rasim Hamid, Chief Finance Officer
To: Senior Finance Manager
Subject: Environmental protests

Hi,

I have attached a news report that has just gone online.

The Board is meeting tomorrow to discuss this development. To help me prepare, I need you to draft a briefing for me that covers the following:

- Firstly, explain whether or not Daistruk should recognise the environmental protesters as stakeholders and, if so, discuss the advantages and disadvantages for Daistruk by engaging with them.

[sub-task (a) = 60%]

- Second, recommend how the risks that Daistruk's operations could be disrupted by protests should be addressed and recorded in the risk register.

[sub-task (b) = 40%]

Regards

Rasim

Roundland Telegraph

Climate protest disrupts distribution centre



Environmental protesters staged a protest at the main gates of a warehouse owned by the Carree Group, one of Roundland's largest logistics companies. The protest was intended to draw attention to the impact of road transport on the environment.

A spokesperson for the protesters claimed that logistics companies, including Carree, damage the environment, both directly and indirectly. Their trucks consume large quantities of diesel fuel. They also create congestion on the roads and so cause other road users to consume fuel while delayed by heavy traffic. The problems are then compounded when road users lobby for new roads to be built and existing roads to be widened. Expanding the road network encourages even greater road use.

The protesters blocked the road leading to the warehouse's main entrance for 2 hours before withdrawing. Their spokesperson warned that there would be further protests at other key locations belonging to Carree and other logistics companies and that the level of disruption would escalate unless logistics companies agree to stop transporting goods by road.

Strategic Case Study - Candidate Name

Draft your response to Rasim's requests in the box below.

Paragraph

Word Count : 0

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A month later, Rasim Hamid stops by your workspace:

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

I need the following from you:

- Firstly, evaluate the possible replacement of road transportation with rail by reference to Daistruk's vision 'to have a positive impact on all stakeholders through the provision of sustainable supply chain strategies and services'.

[sub-task (a) = 50%]

- Secondly, evaluate both the commercial and ethical implications of using a green loan to fund the R$110 million required for this investment."

[sub-task (b) = 50%]

Extract from Board minutes
Increased use of rail transport

The Board discussed continuing concerns that its heavy use of road transport was attracting the attention of environmental campaigners. Two of Daistruk's warehouses have been affected by protests in the past month, with campaigners blocking entry and exit for 8 hours on each occasion.

Doreen Sumpat, Chief Operating Officer, proposed that Daistruk should consider increasing its capacity to carry goods by rail instead of transporting them by road. Her staff had conducted some preliminary studies and had established the following:

- Daistruk could replace 800 of its articulated trucks with 11 railway locomotives, wagons and upgraded software. That would have the effect of reducing the miles covered for road transport by 12% after taking account of the need for short journeys to transport goods to their final destination by road.
- It would be necessary to invest R$110 million in new equipment and software, after allowing for the proceeds of selling the 800 trucks.

Switching to rail would increase Daistruk's operating costs by 7% for those goods compared to costs incurred for road transportation.

Daistruk will have to negotiate the routes and timings for its trains with Roundland National Rail, which owns the national rail network.

Rasim Hamid, Chief Finance Officer, proposed that the R$110 million should be raised by means of a green loan. He believed that it would be possible to obtain a green loan, despite the fact that the 800 trucks will remain on the road after their sale.

Strategic Case Study - Candidate Name

Draft your response to Rasim's requests in the box below.

Paragraph

Word Count : 0

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Four months later, Daistruk made a public commitment to replace 800 of its articulated trucks with 11 railway locomotives and wagons. That will have the effect of reducing the miles covered for Daistruk's road transport by 12%. That will significantly reduce road congestion and carbon emissions attributable to Daistruk's operations. Rasim Hamid asks you to join him in a meeting room:

"I have brought you an extract from Daistruk's draft sustainability report, which will be included in our annual report.

I need you to advise me on two matters:

- Firstly, evaluate the argument that it is unethical for Daistruk to claim that the switch to rail is evidence of progress towards specific United Nations (UN) Sustainability Development Goals (SDG). Please bear in mind that the main reason for doing so was concern that we would be targeted by environmental campaigners if we did not reduce our use of road transport.

[sub-task (a) = 40%]

- Secondly, evaluate the arguments for and against Daistruk's Board establishing a sustainability committee of non-executive directors to review our operations and disclosures."

[sub-task (b) = 60%]

Extract from draft of Daistruk's sustainable business report

Daistruk is an enthusiastic supporter of the UN Sustainable Development Goals (SDG). Recent changes have enhanced our support for three goals in particular:

Industry, innovation and infrastructure	Daistruk's increased use of rail transportation will encourage the development of sustainable infrastructure for the movement of goods.
Sustainable cities and communities	Daistruk's plans to move more goods by rail will significantly reduce the number of articulated trucks on the roads, thereby reducing delays for road users and the carbon emissions associated with congested roads.
Responsible consumption and production	Daistruk is a leading logistics provider. Our increased use of rail transport will enable the retailers, manufacturers and other entities whom we serve to reduce the carbon footprint of the goods that they sell.

Strategic Case Study - Candidate Name

Draft your response to Rasim's requests in the box below.

Paragraph

Word Count : 0

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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	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 60% (b) 40%
3	60	1	2	(a) 50% (b) 50%

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).

Rasim Hamid, Chief Finance Officer, asks you to join him in a meeting room:

"I have brought you the executive summary of a document that has been circulated to the Board.

Please advise me on the following:

- Firstly, evaluate the proposed acquisition of Rayltray using the suitability, acceptability and feasibility criteria (SAF).

[sub-task (a) = 60%]

- Secondly, identify with reasons the problems that could emerge post-acquisition if Daistruk acquires Rayltray."

[sub-task (b) = 40%]

Proposal to acquire a third inland port
Executive summary

Prepared by Roger Phillips, Senior Transportation Manager

Daistruk's two inland ports are both operating at close to their maximum capacity. One is located in the north of Roundland and the other is in the south. Both have excellent rail links to major seaports and are also close to major railway lines and motorways. They are used to switch shipping containers between trains and trucks and also for the temporary storage of goods in shipping containers, which can be stacked out of doors.

An opportunity has arisen for Daistruk to acquire Rayltray, an unquoted company that owns and operates an inland port in northern Roundland. The inland port is Rayltray's only business activity. Rayltray's inland port is smaller than both of Daistruk's. It is used primarily for switching containers between road and rail transport. It does not have sufficient space to store containers. Its systems need only schedule the arrivals and departures of trains and trucks.

Rayltray's inland port is located 70 kilometres to the west of Daistruk's northern inland port. It has good access to road and rail links. The port is, however, in need of upgrading:

- Rayltray's lifting equipment is obsolete. It requires skilled operators and cannot stack containers on top of one another.
- The site has a large amount of undeveloped land that could be used to increase its capacity through the construction of roads, railway sidings and storage areas.
- Rayltray has contracts in place with Carree and several other logistics companies, including Daistruk, to provide intermodal transfers of shipping containers between trucks and railway wagons.

Strategic Case Study - Candidate Name

Draft your response to Rasim's requests in the box below.

Paragraph

Word Count : 0

End Exam | Previous | Next

A month later, Daistruk's Board is still considering whether to acquire Rayltray, an unquoted company that owns and operates an inland port in northern Roundland.

You receive the following email:

From: Rasim Hamid, Chief Finance Officer
To: Senior Finance Manager
Subject: Acquisition of Rayltray

Hello,

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

I am about to brief the CEO and I need your help with two matters:

- Firstly, recommend with reasons how Daistruk should deal with the funding issues arising from: financing the R$75 million acquisition of Rayltray; managing Rayltray's R$40 million borrowings; and financing the R$60 million for construction work at Rayltray.

[sub-task (a) = 60%]

- Secondly, evaluate whether the intention to retain Rayltray's senior management team implies that Daistruk lacks the strategic management skills to lead this new subsidiary.

[sub-task (b) = 40%]

Regards

Rasim

Extract from Board minutes
Rayltray

Henrik Gerding, Chief Executive Officer, reminded the Board of the following:

- Rayltray's owners have agreed to sell 100% of the company's equity for R$75 million.
- Rayltray has borrowings of R$40 million in the form of a green loan that is secured against the company's land. That debt will remain Rayltray's responsibility in the event of a takeover.
- Rayltray has significant unused land that will be used to expand road and rail capacity and to create space for temporary storage of shipping containers, which the site presently lacks. The construction work will cost R$60 million. There is a concern that this work will damage a natural habitat on the unused land and so might breach the sustainability conditions attached to the R$40 million green loan.
- Increasing the number of train arrivals and departures at Rayltray will require permission from the owners of Roundland's national rail network. Permission will only be granted if it can be demonstrated that the trains can be operated safely and without causing delays on the main railway lines.
- Rayltray's senior management team will remain in place on full salary for a period of 18 months in order to assist with the transition. That period can be extended by mutual agreement between the management team and Daistruk's Board.

Strategic Case Study - Candidate Name

Draft your response to Rasim's requests in the box below.

Paragraph

Word Count : 0

End Exam | Previous | Next

Four months later, Daistruk completed its acquisition of Rayltray. Rayltray is operating as a 100% subsidiary of the Daistruk Group.

Rasim Hamid asks you to join him in a meeting room:

"I have brought you a copy of a letter from the Government agency that is responsible for workplace safety. The letter will be discussed at the next Board meeting. Daistruk has detailed safety procedures that address the areas raised by the Inspectorate. We provided the General Manager at Rayltray with a copy of those procedures when we acquired the company but took no further action.

I need your advice on two matters:

- Firstly, evaluate the risks arising from the matters identified in the letter.

[sub-task (a) = 50%]

- Secondly, recommend with reasons how the Internal Audit Department might assist Daistruk's Board to ensure that safety procedures at Rayltray are adequate."

[sub-task (b) = 50%]

Roundland Safety Inspectorate

Doreen Sumpat
Chief Operating Officer
Daistruk
Capital City

Dear Ms Sumpat,

Safety inspection at Rayltray inland port facility

I am writing to offer you some initial feedback from a surprise safety inspection carried out at Daistruk's Rayltray inland port. The following points were noted:

- The port's General Manager is also the only designated safety officer.
- Rayltray uses large forklift trucks to load and unload shipping containers to and from articulated truck trailers and railway wagons. None of the staff who were observed operating forklifts during our visit could provide our inspection team with evidence that they had completed the formal training in forklift operation that is required by Roundlandian law. The General Manager informed the inspection team that forklift operators are required to confirm in writing that they have been trained. Furthermore, all drivers are experienced forklift operators.
- There were no records to confirm that forklifts are being checked or maintained regularly. The General Manager pointed out that the port operates on for 24 hours a day, 7 days a week. Any mechanical defects quickly became apparent to operators and resulted in the forklifts being taken out of service until they could be repaired.

Yours sincerely,

Wouter Zweers

Wouter Zweers

Senior Safety Inspector

Strategic Case Study - Candidate Name

Draft your response to Rasim's requests in the box below.

Paragraph

Word Count : 0

End Exam

Previous



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Strategic Case Study Examination

Case Study Pilot Paper

Variant 1 Exam Answers

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Variant 1

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

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TASK 1

Sub-task (a)

Stakeholders

The protesters have declared an interest in the environmental impact of the logistics industry, which makes them stakeholders regardless of whether Daistruk chooses to recognise them as such. Refusing to engage with the protesters could strengthen their argument that logistics companies behave irresponsibly, so it may be better to recognise their interest and agree to work with them. It could be to Daistruk's advantage to make some immediate concessions in response to the protests so that the protesters focus more on rival logistics companies. Recognising the protesters as stakeholders would also demonstrate that Daistruk accepts responsibility for the environmental damage that could be caused by its activities. Accepting responsibility and taking meaningful steps to address the issues could reduce the risk that public opinion will turn against logistics companies in general and Daistruk in particular.

It is possible that recognising the protesters as stakeholders will add legitimacy to any claims that they make against Daistruk. The logistics industry benefits society through the distribution of vital goods, including food and medicine, even if it does cause some environmental damage. Treating these protesters as stakeholders could encourage them to claim that they are entitled to speak on behalf of society as a whole with regard to the costs and benefits associated with road transport. Engaging with the protesters as stakeholders will not necessarily result in any meaningful dialogue, given that they are already taking direct action and so appear to have made their minds up. It is unlikely that there will be any possibility of a meaningful compromise between Daistruk and the protesters. The protesters are intent on stopping road transport, which is unlikely to be a practical proposition. Even if Daistruk could negotiate a settlement with the leaders of the protest movement, perhaps by making greater use of rail in place of trucks, there could be significant numbers who will still aim to disrupt operations.

In terms of Mendelow's power/interest matrix, the protesters have demonstrated a high interest because they are willing to break the law and take personal risks by blocking roads. This commitment should be taken into account in managing this relationship because it is unlikely that Daistruk will be able to dissuade or discourage the protesters. The fact that the protesters must take such direct action implies that they have relatively low power. They clearly do not have the financial or political might to seek a change in the law through democratic processes. Daistruk and other companies in the logistics industry can call upon much more in the way of resources to protect their operations. It may be possible to seek the support of the police service or the courts to deal with the fact that it is against the law to block roads.

Daistruk should be careful when using the resources at its disposal because the most effective strategy for the protesters would be to mobilise the voting power of society at large to bring about political change.

If Daistruk and other large logistics companies are seen to be bullying the protesters, then voters might elect politicians who take an active interest in protecting the environment and who might enact legislation that would be harmful to the logistics companies. Daistruk should take care not to appear as if it is bullying the protesters by, for example, seeking court injunctions to prevent them from protesting. It would be preferable for Daistruk to promote its own message, such as its intentions to improve the fuel efficiency of its trucks or its plans to make greater use of rail transport. It may also be possible to undermine the impact of the protests by highlighting their impact on road users, holding up parents attempting to take their children to school and so on.

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Sub-task (b)

Risk register

The risk register should designate a senior manager who will be responsible for the ownership of this risk, perhaps a senior manager who is responsible for truck operations. The owner of this risk should ensure that Daistruk has staff who are monitoring information sources such as social media, protest group websites and news channels to ensure that the company is aware of protests as quickly as possible. Information about road blockages should be communicated to drivers as quickly as possible, ideally in time for trucks to change their routes and avoid the protest. If necessary, the management team should ensure that clients will be informed of any delays so that they can adjust their plans.

All of Daistruk's drivers should receive training to be followed in the event that they are caught up in a road blockage. The Transportation Department should set out procedures in consultation with the police and other authorities to ensure that drivers do not endanger themselves or the protestors, while taking all possible steps to protect their trucks and any loads that are being carried. Formal training should be provided to ensure that all drivers are aware of the procedures and understand them. It is important that Daistruk can demonstrate that it had suitable procedures in place in case there is an injury or damage to property involving one of its trucks.

The risk register should be kept up to date in response to changes in the tactics employed by the protesters. There is no reason to expect them to be consistent in their actions. The managers responsible for managing this risk should consider the possible tactics that the protesters might employ in order to escalate their actions, such as blocking open roads rather than entrances to warehouses. The register should be reviewed in response to each incident as it occurs in order to check that the guidance that has been provided to drivers and other relevant members of staff remains up to date. The procedures should be included in the agenda for Board meetings for the duration of the protest action, to ensure that they receive the attention that it requires.

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TASK 2

Sub-task (a)

Vision

Vision statements represent long-term aspirations. Daistruk has defined its aspirations in terms of stakeholder interests. The problem is that the long-term implications are both unclear and potentially contradictory.

Daistruk's shareholders will be affected by the increased operating costs associated with the switch to rail services. Presumably, that could lead to a decrease in their wealth. It is important to determine the long-term implications of this switch for the company's profits. There would have to be a long-term benefit to compensate for this increased cost for the shareholders to benefit. The fact that logistics companies are being criticised for their damaging environmental impact suggests that a switch to rail could benefit the company by protecting revenues in the longer term. The commercial assumptions underlying the use of rail should be extended into the medium to long-term in order to assist the shareholders decide whether this move would benefit them.

Daistruk's clients could find themselves forced to pay more for their logistical services if transport prices are increased in order to recover the additional operating costs. Clients may be willing to accept those increases in order to promote their own operations as being more sustainable through a reduced reliance on road transport. There could be an indirect cost to society as a whole because some of Daistruk's clients are retailers and they may pass on any additional transport cost to their customers. This change could lead to an increase in the cost of food.

The environmental protesters have been arguing for a reduction in the use of road transportation, so they should regard this switch as beneficial. Replacing 800 trucks with 11 locomotives should reduce the carbon emissions associated with transporting goods. It could be difficult to determine whether there is a net environmental benefit from this switch. For example, there will be a significant number of short journeys from rail terminals to the final destinations of goods. There will also be significant activity in transferring goods between road and rail transport, which could offset some of the savings in emissions. The fact that Daistruk is selling the trucks that it will replace means that there could be additional road transportation through the use of those trucks.

Daistruk's employees could face significant redundancies because of this switch. Replacing 800 trucks with 11 locomotives suggests that fewer drivers will be required. It is possible that new jobs will be created at rail terminals, but that could leave drivers faced with a choice between redundancy and having to move home. The new jobs at rail terminals may also be less skilled than driving HGVs and so the pay could be reduced. Again, this could be a short-term concern. In the longer term, the need to reduce emissions could lead to a reduction in the number of vehicles on the roads in any case.

Sub-task (b)

Funding

Daistruk's gearing ratio is already 280/(280+428) = 40%, which is not especially high, although existing debt is equivalent to 280/530 = 53% of the company's tangible non-current assets. There may be limited capacity to secure additional loans against existing assets. The intention is to invest heavily in new assets, but these are specialised in nature. There is unlikely to be a great deal of demand for specialised railway rolling stock and associated loading equipment and the software is likely to be written for Daistruk's specific needs, so it will have little or no market value. Borrowing an additional R$110 million will increase gearing to

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(280+110)/(280+110+428) = 48%, which is a significant increase and may make prospective lenders quite nervous. The fact that Daistruk may be unable to offer meaningful security for these new loans could discourage lenders still further, with high interest rates on any additional borrowings. Increasing gearing to 48% could lead to Daistruk exceeding borrowing limits imposed by existing lenders, giving those lenders the right to foreclose on their loans and demand immediate repayment.

Debt is generally cheaper than equity. That is particularly true of a green loan because the interest rate on a green loan is usually very slightly lower than that on a traditional loan. There is a further benefit in that the loan interest is tax deductible, which further reduces the cost to Daistruk, although that will also partially offset the discount arising from the use of green finance. The Board must also ensure that the tax relief on this interest will be available. If the 7% increase in operating costs applied across the whole company, then they would rise to R$1,980 million, which would almost eliminate operating profit and could threaten Daistruk's ability to claim all of the tax relief on the loan interest.

It could be argued that Daistruk's use of green finance would reflect a lack of integrity because it is not being entirely straightforward and honest in its claims about this investment. Daistruk will no longer operate the 800 trucks, but it fully intends to sell those vehicles to third parties who will, presumably, continue to use them on the road. It could be argued that neither the provider of the green finance or Daistruk itself is doing anything to reduce road congestion, fuel consumption or emissions. It could, however, be argued that the responsibility for the sustainable operation of the 800 trucks will now fall to the owners and operators who buy them. There must be a limit to the extent to which either providers of green finance or businesses can be held accountable for the environmental impact of assets that have been sold to third parties.

It could be argued that the principle of professional behaviour is being met by both the lender and by Daistruk itself. The key is for both parties to comply with all relevant laws and regulations. There is no specific formal definition of a green loan. It is a matter for the parties to the loan agreement, particularly the lender, to decide. The fact that green loans are usually offered at a slight discount to normal rates suggests that lenders will be consistent in their approval. If the fact that Daistruk is no longer directly accountable for the operation of the 800 trucks means that this is a green loan according to the lender, then it is ethically acceptable to classify this as a green loan.

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TASK 3

Sub-task (a)

Sustainable business

The principle of integrity requires Daistruk to be straightforward and honest in its relationships. It could be argued that the statements made in relation to the three goals are correct in themselves and so reflect well on the company's integrity. There can be no doubt that greater use of rail will reduce road congestion and decrease emissions. Unfortunately, Daistruk also claims that it is an enthusiastic supporter of the SDG, which is clearly not the case if the changes that are being made have been imposed from outside. Claiming to be an enthusiastic supporter of the goals could affect the attitude of the stakeholders who read this report. They may subject Daistruk to less scrutiny.

Some of the claims being made lack objectivity because they are biased in order to win favour from protesters. Daistruk claims that its use of rail will encourage the development of sustainable infrastructure, but there is no logical basis for such a claim. The switch to rail has changed the way in which Daistruk moves some goods, but change will not have sufficient impact to create a material change in the manner in which businesses operate. It would be a massive undertaking for railway companies to build additional railway lines to handle more freight.

It could also be argued that Daistruk's claims breach the principle of professional behaviour because they could be misleading and could discredit the company's environmental credentials. There could be double counting of the savings in emissions if both the logistics company and its clients claim to be making greater use of rail transportation in order to reduce environmental damage. It is also debateable whether Daistruk should encourage clients to claim to be more environmentally aware when it is replacing trucks with trains. Clients will have little say in the mode of transport used. Stakeholders may view this statement as cynical and could believe that it undermines Daistruk's credibility.

Sub-task (b)

Board committee

Creating a sustainability committee sends a very clear signal that Daistruk takes environmental matters very seriously. Stakeholders with an interest in that area will, hopefully, be reassured by the fact that there is a committee, whose remit will be made clear in Daistruk's governance disclosures. The committee members will take this responsibility seriously because their reputations will be at stake and so there should be less likelihood that Daistruk will cause avoidable damage. Non-executives have no financial incentive to maximise profit or to behave recklessly with regard to environmental matters. Daistruk's non-executives include an engineer and two members who have had significant transport-related government service, so they should be well qualified to oversee the company's sustainability. Giving such directors a specific remit for sustainability will ensure that they are consulted and informed on decisions that could prove harmful.

A sustainability committee would be particularly useful with regard to reports and other disclosures made to stakeholders. While there are helpful standards relating to environmental reports, companies still have a great deal of discretion over what they report and how they describe matters. Giving non-executives specific responsibility to review those reports before publication will enhance the quality of the information and will make reports more credible. Improving reporting will also have a beneficial impact on behaviour because the Board as a whole will be aware that their strategic decisions may affect the disclosures in

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the sustainability report. The additional transparency should also reduce the threats arising from protesters and other activists, who may use any lack of disclosure as an excuse to criticise Daistruk's performance.

Creating a sustainability committee could create friction between the executive and non-executive directors over operational matters. Daistruk's operations will always result in damage to the environment through consumption of scarce resources and carbon emissions. If the new committee simply monitors such damage, then it may be viewed as a failure. If the sustainability committee takes a proactive role, then the executive directors might complain they are unable to fully pursue strategies that maximise shareholder wealth. As a compromise, the Board could develop policies that are intended to reconcile the conflict between sustainability and profitability. For example, ensuring that trucks are well maintained so that they are fuel efficient. The committee would become somewhat redundant once such policies were in place because they would simply require compliance from senior managers and the Board as a whole.

The creation of a new Board committee will add to the workloads of the non-executives, who are already required to service four committees. Each of the non-executives is a member of three committees and asking some to participate in a fourth could lead to them being overstretched and unable to fulfil their duties properly. It might be possible to recruit additional non-executives, but that would create additional work for the Nomination Committee and would require additional time to provide the newly appointed directors with adequate induction. It could be more efficient to make sustainability a regular agenda item for Board meetings and also, where relevant, for meetings of the Risk Committee and the Audit Committee. That would ensure that the whole Board was engaged and that there was some oversight from non-executives.

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Strategic 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

Sub-task (a)

Proposed acquisition

This investment should be suitable because it offers the opportunity to expand existing facilities, which appear to be running out of capacity. In the short term, the Rayltray port can be used to facilitate intermodal transfers of shipping containers between trucks and trains, relieving some of the pressure on the existing port in the north of Roundland. The increased capacity will help to achieve Daistruk's vision of providing sustainable supply chain strategies and services because the additional intermodal capacity will enable greater use of rail for freight. The acquisition of an operational inland port is an ideal way to expand in these areas because it could be difficult to create a new inland port that has the necessary access to both road and rail networks. If Daistruk does not acquire Rayltray, then there is a risk that a rival logistics company will buy it, develop it and use the facility to compete for Daistruk's clients who are based in the north of the country. Rayltray's inland port is less versatile than those currently owned by Daistruk; however, there is scope for development. The land owned by Rayltray could be used to create storage space or to add a new function, such as handling bulk goods.

The acceptability of this investment really depends on the impact that it will have for shareholders' risks and returns. The fact that this is a direct expansion of the existing business suggests that the shareholders could be supportive. The most important issue is the cost of the acquisition. If the Board overpays, then they will dilute shareholder return. It seems likely that Daistruk would be able to negotiate a reasonable price. This is a small facility that requires upgrading. It is an unquoted company that may struggle to raise the necessary finance to upgrade the facility on its own. The availability of both road and rail links makes the site attractive to logistics companies, but there may not be many other potential buyers who would pay a premium for such links. Having said that, Caree pays to use Rayltray's facilities and so might be willing to bid against Daistruk, potentially pushing up the price. Even so, the fact that Caree and other companies pay for this service at present indicates that they are short of capacity and so there could be a commercial advantage to Daistruk if it proceeds with the acquisition.

The feasibility of this acquisition depends on the question of whether Daistruk can make effective use of Rayltray's inland port. The most immediate concern is that Rayltray is only 70 kilometres from Daistruk's existing inland port in the north. That could complicate the scheduling of intermodal transfers because the two facilities are so close to one another. It may be difficult to ensure that trains are not loading or unloading parts of their loads at the northern inland port before travelling the short distance to Rayltray to complete that operation. If Daistruk is attracted by the availability of undeveloped land at the new site, then it will have to check that it will be free to conduct any required development. The fact that Rayltray has left the site undeveloped suggests that there could be a problem with the site or there could be difficulties in obtaining the necessary permission. This could be an expensive acquisition and Daistruk may find it difficult to secure the funding in time to make the purchase while the opportunity remains open.

Sub-task (b)

Post-acquisition problems

Acquisitions generally create difficulty in successfully integrating the new company into the group. For example, systems often create problems. In this case, adding a third inland port could put a strain on Daistruk's IT systems. Extending the IT system to Rayltray could be

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difficult because it uses different equipment and is subject to different operational constraints because of a lack of space for storage. It may require expensive upgrading to adapt the software to support operations at Rayltray. In time, Rayltray might then be developed and that could require further adaptation. The consequences of any bugs in the new system could be serious because they could lead to problems with the handling and location of shipping container full of heavy and/or expensive goods.

Rayltray's staff could be nervous that they might lose their jobs due to rationalisation after Daistruk takes over. That could lead the lifting equipment operators to leave for new jobs that they regard as more secure. It may be difficult to find skilled replacements and so Daistruk may struggle to keep the inland port in operation. It may then be necessary to replace the equipment sooner than had been planned, which could lead to additional cost if the purchase has to be expedited. Modern lifting equipment might not be suited to the layout at Rayltray, which could further accelerate developments and reduce the opportunity for sensible planning and timetabling.

Rayltray will continue as a legal entity even if it becomes part of the Daistruk Group. The contracts with Caree and other logistics companies will remain in place unless they are broken by the mutual consent of the parties, which may be difficult to obtain if there are no suitable alternatives available to them. That could mean that Rayltray has limited capacity to serve the Group's needs if the contracts entitle these competitors to demand service. The need to serve these competitors could also affect Daistruk's ability to expand or modify Rayltray, unless any modifications can be scheduled so that operations are not disrupted.

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TASK 2

Sub-task (a)

Raising finance

The three funding issues are worth a total of 75 + 40 + 60 = R$175 million, which is an expansion of 175/(428+280) = 25% of capital employed. This is such a significant amount that it would almost certainly be logical for the three sums to be considered separately because it may be inefficient to raise the total amount using either debt or equity.

The easiest way to raise the R$75 million for the equity in Rayltray would be to offer to exchange Daistruk shares for their shares in Rayltray. Using equity for this transaction would be helpful because it would reduce gearing from 280/(280+428) = 40% to 280/(280+428+75) = 36%. That reduction would give Daistruk a little more scope for seeking additional debt, either for the current project or for future developments. Given that Rayltray is unquoted, its shareholders might find an exchange of shares to be potentially attractive. They will either be able to retain their stake in the expanded Daistruk Group or they will be able to sell their shares for cash. The selling price has already been agreed and Daistruk's share price can be observed on the market so the exchange should be relatively easy to negotiate. It will be easier to make a share exchange than to raise cash through a rights issue to Daistruk's existing shareholders, which could lead to increased issue costs including underwriting. Rayltray's shareholders can each sign a contract committing themselves to the exchange and the new shares can then be issued in exchange.

The R$40 million debt owed by Rayltray will become a liability of the Daistruk Group post-acquisition. Daistruk's Board must consider whether it would be preferable to keep the loan as a source of funds or whether it would be preferable to refinance this amount, perhaps in conjunction with raising the R$60 million for the construction work. It may be preferable to retain the green loan, partly because it will be at a slightly discounted interest rate and so it may be cheaper than any replacement loan. Daistruk may also enjoy some reputational advantage from having a green loan in place as partial funding for this facility. The most immediate priority with respect to this loan would be for Daistruk to conduct a survey to establish whether a habitat is at risk and, if so, whether that habitat is truly significant. Daistruk should then approach the lender in order to discuss the implications that proceeding with construction would have on compliance with the loan conditions. If the lender would impose sanctions, then it may be necessary to refinance.

The biggest challenge associated with the R$60 million for the construction work is the possibility that the construction work will not be permitted. That creates a dilemma because Daistruk's Board may be keen to proceed with raising funds so that construction work can commence as quickly as possible if and when permission is granted. One possibility would be to negotiate a contingency whereby a lender agrees to make the loan, but the funds will only be drawn down at Daistruk's discretion. That would effectively give Daistruk an option to proceed with the loan if it requires the finance but would avoid the cost of servicing the loan if the permission to develop is not granted.

Most lenders would require a payment for processing the loan application and for creating the loan facility, but it may still be worthwhile to make the application on this basis because it reduces risk. The fact that the land is already being used as collateral for Rayltray's borrowing suggests that it might be possible to secure this additional loan against the Rayltray site, which will hopefully be of greater value once it has been developed. Raising a single loan for R$100 million, with R$40 million to repay Rayltray's loan and R$60 million to be contingent on the planning application would make it easier to offer such security.

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Sub-task (b)

Management skills

Retaining the services of Rayltray's management team for such a long time could imply a lack of confidence on the part of Daistruk's Board, although it does not necessarily follow that Daistruk lacks the necessary management skills. The Daistruk Group has acquired skills and experience from the ownership and management of two inland ports and so it should be capable of taking responsibility for Rayltray's facility without the extended handover that is planned. Acquisitions can prove difficult because of cultural differences between the target company and its new parent, but it should be possible for Daistruk to identify and resolve any such differences in a much shorter period. It may be, however, that Daistruk wishes to send a reassuring message to Rayltray's workforce that no major changes are foreseen that could threaten their employment.

Daistruk has a clear need to reassure the rail network that Rayltray can be trusted to expand its rail operations without causing any problems for the main line. One aspect of that would be to avoid any mistakes in managing rail services through Rayltray in the period immediately after the acquisition. Retaining the existing management team will reduce that risk. The Rayltray managers should also be able to inform any negotiations with the rail network about the implications of an expansion. They are familiar with that part of the network and the problems that can arise. There is no real cost associated with obtaining these potential benefits because Daistruk would need to have a management team in place in any case. Replacing the existing managers would not necessarily yield any benefits.

Daistruk plans to expand Rayltray to provide for storage as well as intermodal services. It would be convenient to be able to retain Rayltray's senior management team, at least temporarily. The existing managers can, hopefully, ensure that the existing business continues without too much disruption. Their experience will help them to predict problems that might arise at different stages in the construction programme. Daistruk can then appoint additional managers to oversee the new construction and to set up the new services, without them being distracted by running the continuing business. As the expansion is completed, it will be possible for Daistruk to identify the managers whom they wish to retain and those managers will be able to make an informed decision as to whether they wish to stay.

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TASK 3

Sub-task (a)

Risks

The lack of designated safety officers could lead the Roundland Safety Inspectorate to impose penalties, including fines and even the closure of the site until the matter is rectified. There is a high likelihood that they will do so, unless the matter is dealt with, and the impact could be significant if a negative safety report affects Daistruk's ability to obtain insurance cover.

Safety officers are responsible for receiving reports on safety concerns and passing those on for action. This role need not distract from existing duties. Arguably, a location like Rayltray should have a safety officer on duty in each area when operations are in progress because there are many safety hazards due to train and vehicle movements and the operation of heavy equipment.

The General Manager may not be a suitable person to act as safety officer because staff may be unwilling to report some concerns to such a senior colleague. For example, safety concerns associated with reckless behaviour by a fellow worker could result in disciplinary action.

There is hopefully a low probability that an untrained operator will take charge of one of Rayltray's forklifts. The probability of an accident is even lower provided the operator drives carefully. The impact of an accident could be severe. A collision could cause serious injury and could also damage a valuable load.

The fact that Daistruk cannot always provide evidence that an operator had completed the required training could make the financial consequences of any accident far more serious. Daistruk could be sued for negligence and its insurers could refuse to settle any claim.

It is clearly unacceptable for forklift operators to self-certify that they have completed formal training because unqualified operators clearly have a financial incentive to lie in order to enter paid employment. Rayltray should insist that any applicant for an operator's post has the necessary training. If they do not have a certificate, then they should be required to complete a course, which will enable them to obtain a new certificate upon completion.

There is a high probability that Rayltray's forklifts will develop mechanical defects if they are not properly maintained. Some defects may not become apparent until an accident occurs. Defects could create high-impact risks for Rayltray because forklifts are used to carry heavy loads and will have significant momentum when in operation.

If a serious accident occurs, then the discovery that the forklift was defective will leave Rayltray in a difficult position with respect to defending any action. The fact that there is no evidence that forklifts are being checked by competent mechanics could lead to Rayltray being prosecuted on the basis that it endangered operators' safety.

Operators are not qualified to check the safety of their forklifts. They may also be unwilling to report problems because that could delay the completion of tasks and so might reflect on their competence.

Sub-task (b)

Internal audit

Internal audit should start by obtaining a copy of Rayltray's safety procedures document so that they can identify the procedures that staff should be following, in the event that Daistruk's procedures have not been circulated. The audit team should carry out a detailed

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comparison of the Rayltray and Daistruk safety procedures in order to identify any differences. If Daistruk's requirements differ in any way from Rayltray's, then those are the areas in which Rayltray is most likely to be non-compliant. The audit team should start by visiting Rayltray and meeting with supervisors to ask about safety procedures and the manner in which formal requirements are implemented in their areas. These meetings should be informal and should consist of structured conversations in which the audit staff ask supervisors and operations staff open-ended questions, with a view to establishing whether they confirm that specific requirements are applied. The questions raised should focus on the findings reported by the Roundland Safety Inspectorate and the results of the comparison between Rayltray's and Daistruk's safety procedures.

Given the concerns raised by the Inspectorate and the lack of clear direction from Daistruk on safety procedures, it is likely that shortcomings will be identified during this initial audit visit. The Internal Audit Department should work with Rayltray's senior management team to develop a process that will put matters right. As a start, it should be confirmed that Rayltray is now part of the Daistruk Group and so it should be operating in accordance with the Daistruk safety procedures. Internal Audit should ensure that the formal Daistruk procedures are made available to all staff. A process should be developed to ensure that staff at all levels read and understand these materials. One possibility would be to develop a programme of training courses, tailored to specific groups of employees. Safety requirements for forklift operators are different from those of administrative staff. The audit team should check the content of training programmes and ensure that there are procedures in place to check on participation. It may be sufficient to ask staff to complete an online course, provided there is evidence of completion, such as the inclusion of objective test questions and a requirement for a minimum mark.

The Internal Audit Department should schedule a follow-up visit, with sufficient notice given to ensure that all necessary changes can be implemented. The prospect of this visit will provide Rayltray's management with a clear incentive to motivate staff to comply with the safety procedures. That visit should include a combination of observation of practices and the examination of evidence. The audit team should complete a detailed examination of training certificates for forklift operators and of evidence that forklifts are being checked and maintained. Daistruk's Board should be provided with detailed feedback from this visit and should demand that any remaining shortcomings are addressed urgently.

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Strategic Case Study Examination

Case Study Pilot Paper

Variant 1 Marking Guidance

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Variant 1

About this marking scheme

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

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

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

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

General marking guidance

Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.

All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.

The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.

An answer which does not address the requirements of the task must be awarded no marks.

Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

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How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.

The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.

If the work fits more than one level, judge which one provides the best match.

If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

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**	Evaluate business ecosystem and business environment	60%
(b)	**D**	Evaluate and mitigate risk	40%
Task 2			
(a)	**A**	Develop business strategy	50%
(b)	**C**	Recommend financing strategies	50%
Task 3			
(a)	**D**	Evaluate and mitigate risk	40%
(b)	**E**	Recommend and maintain a sound control environment	60%

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TASK 1

TASK 1			
Sub-task (a) **Explain** whether or not Daistruk should recognise the environmental protesters as stakeholders and, if so, discuss the advantages and disadvantages for Daistruk of engaging with them.			
Trait			
Status	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines stakeholder	1
	Level 2	Explains status of protestors	2-3
	Level 3	Explains status of protestors with justification	4-5
Advantages	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies advantages	1-2
	Level 2	Discusses advantages	3-5
	Level 3	Discusses advantages with justification	6-8
Disadvantages	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies disadvantages	1-2
	Level 2	Discusses disadvantages	3-5
	Level 3	Discusses disadvantages with justification	6-8
Sub-task (b) **Recommend** how the risks that Daistruk's operations could be disrupted by protests should be addressed and recorded in the risk register.			
Trait			
1st recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes recommendation	1
	Level 2	Discusses recommendation	2-3
	Level 3	Discusses recommendation with justification	4
2nd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes recommendation	1
	Level 2	Discusses recommendation	2-3
	Level 3	Discusses recommendation with justification	4
3rd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes recommendation	1
	Level 2	Discusses recommendation	2-3
	Level 3	Discusses recommendation with justification	4

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TASK 2

TASK 2			
Sub-task (a) **Evaluate** the possible replacement of road transportation with rail, by reference to Daistruk's vision 'to have a positive impact on all stakeholders through the provision of sustainable supply chain strategies and services'.			
Trait			
1st stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Discusses impact	2-3
	Level 3	Discusses impact with justification	4-5
2nd stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Discusses impact	2-3
	Level 3	Discusses impact with justification	4
3rd stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Discusses impact	2-3
	Level 3	Discusses impact with justification	4
4th stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Discusses impact	2-3
	Level 3	Discusses impact with justification	4
Sub-task (b) **Evaluate** both the commercial and ethical implications of using a green loan to fund the R$110 million required for this investment**.**			
Trait			
Commercial	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issues	1-2
	Level 2	Identifies relevant considerations	3-5
	Level 3	Identifies relevant considerations with justification	6-8
Ethical	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies relevant principles	1-3
	Level 2	Evaluates ethics in terms of principles	4-6
	Level 3	Evaluates ethics in terms of principles with justification	7-9

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TASK 3

TASK 3			
Sub-task (a) **Evaluate** the argument that it is unethical for Daistruk to claim that the switch to rail is evidence of progress towards specific UN Sustainability Development Goals (SDG).			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies principle	1
	Level 2	Applies principle to case	2-3
	Level 3	Applies principle to case with justification	4
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies principle	1
	Level 2	Applies principle to case	2-3
	Level 3	Applies principle to case with justification	4
3rd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies principle	1
	Level 2	Applies principle to case	2-3
	Level 3	Applies principle to case with justification	4
Sub-task (b) **Evaluate** the arguments for and against Daistruk's Board establishing a sustainability committee of non-executive directors to review our operations and disclosures.			
Trait			
1st argument for	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes the role of the committee	1-2
	Level 2	Discusses a benefit of the committee	3-4
	Level 3	Discusses a benefit of the committee with good justification	5-6
2nd argument for	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes a potential benefit of the committee	1
	Level 2	Discusses a benefit of the committee	2-3
	Level 3	Discusses a benefit of the committee with good justification	4-5
1st argument against	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes a potential drawback of the committee	1
	Level 2	Discusses a drawback of the committee	2-3
	Level 3	Discusses a drawback of the committee with good justification	4-5
2nd argument against	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes a potential drawback of the committee	1
	Level 2	Discusses a drawback of the committee	2-3
	Level 3	Discusses a drawback of the committee with good justification	4-5

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Strategic Case Study Examination

Case Study Pilot Paper

Variant 2 Marking Guidance

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Variant 2

About this marking scheme

This Marking Guidance has been prepared for variant 2 of the CGMA Strategic Case Study pilot paper for exams from May 2026.

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

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

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

General marking guidance

Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.

All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.

The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.

An answer which does not address the requirements of the task must be awarded no marks.

Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

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How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.

The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.

If the work fits more than one level, judge which one provides the best match.

If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

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**	Evaluate business ecosystem and business environment	60%
(b)	**A**	Develop business strategy	40%
Task 2			
(a)	**C**	Recommend financing strategies	60%
(b)	**A**	Develop business strategy	40%
Task 3			
(a)	**D**	Evaluate and mitigate risk	50%
(b)	**E**	Recommend and maintain a sound control environment	50%

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TASK 1

TASK 1			
Sub-task (a) **Evaluate** the proposed acquisition of Rayltray using the suitability, acceptability and feasibility criteria (SAF).			
Trait			
Suitability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines suitability	1-2
	Level 2	Discusses suitability	3-5
	Level 3	Discusses suitability with justification	6-7
Acceptability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines acceptability	1-2
	Level 2	Discusses acceptability	3-5
	Level 3	Discusses acceptability with justification	6-7
Feasibility	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines feasibility	1-2
	Level 2	Discusses feasibility	3-5
	Level 3	Discusses feasibility with justification	6-7
Sub-task (b) **Identify** with reasons the problems that could emerge post-acquisition if Daistruk acquires Rayltray.			
Trait			
1st problem	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes problem	1
	Level 2	Discusses problem	2-3
	Level 3	Discusses problem with justification	4
2nd problem	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes problem	1
	Level 2	Discusses problem	2-3
	Level 3	Discusses problem with justification	4
3rd problem	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes problem	1
	Level 2	Discusses problem	2-3
	Level 3	Discusses problem with justification	4

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TASK 2

TASK 2			
Sub-task (a) **Recommend** with reasons how Daistruk should deal with the funding issues arising from: financing the R$75 million acquisition of Rayltray; managing Rayltray's R$40 million borrowings; and financing the R$60 million for construction work at Rayltray.			
Trait			
Acquisition	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issues	1-2
	Level 2	Recommends funding	3-5
	Level 3	Recommends funding with justification	6-7
Borrowings	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issues	1-2
	Level 2	Recommends funding	3-5
	Level 3	Recommends funding with justification	6-7
Construction	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issues	1-2
	Level 2	Recommends funding	3-5
	Level 3	Recommends funding with justification	6-7
Sub-task (b) **Evaluate** whether the intention to retain Rayltray's senior management team implies that Daistruk lacks the strategic management skills to lead this new subsidiary**.**			
Trait			
1st issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4
2nd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4
3rd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Discusses issue	2-3
	Level 3	Discusses issue with justification	4

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TASK 3

TASK 3			
Sub-task (a) **Evaluate** the risks arising from the matters identified in the letter.			
Trait			
Safety officer	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1-2
	Level 2	Evaluates risk	3-4
	Level 3	Evaluates risk with justification	5-6
Certificates	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1-2
	Level 2	Evaluates risk	3-4
	Level 3	Evaluates risk with justification	5-6
Maintenance	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Sub-task (b) **Recommend** with reasons how the Internal Audit Department might assist Daistruk's Board to ensure that safety procedures at Rayltray are adequate.			
Trait			
1st task	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes task that could be offered	1-2
	Level 2	Discusses task that could be offered	3-4
	Level 3	Discusses task that could be offered with good justification	5-6
2nd task	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes task that could be offered	1-2
	Level 2	Discusses task that could be offered	3-4
	Level 3	Discusses task that could be offered with good justification	5-6
3rd task	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes task that could be offered	1
	Level 2	Discusses task that could be offered	2-3
	Level 3	Discusses task that could be offered with good justification	4-5

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Strategic Case Study Examination

Case Study Pilot Paper

Candidate Guidance

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General expectations about the Strategic Case Study examination

Structure

Each SCS examination consists of three tasks, each requiring 1 hour of time and worth 33 or 34 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 50%, that equates to 50% of the time available for that task, or 30 minutes out of the total task time of 60 minutes.

Blueprint

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

Core activity	Blueprint weighting
A. Develop business strategy	15-25%
B. Evaluate business ecosystem & business environment	15-25%
C. Recommend financing strategies	15-25%
D. Evaluate & mitigate risk	15-25%
E. Recommend & maintain a sound control environment	15-25%

Each core activity will be covered once or twice across each variant. For example, core activity A could have a requirement relating to recommending strategic decisions and another relating to acquisitions.

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

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General comments on the Strategic Case Study Pilot Papers

The Strategic case study (SCS) practice test was based on a pre-seen scenario which provided information about Daistruk, a quoted company that provides logistics services to its clients. This reflects a common trend, with businesses outsourcing their logistics function to specialists who can provide a more efficient service through economies of scale and scope. That efficiency results in a more cost-effective service and may also be more sustainable. Logistics companies can specialise in transportation by road, rail, air freight or sea. Some offer a combination of two or more methods. These companies can also manage inventory, tracking goods to and from storage facilities.

The pre-seen provided candidates with an overview of the logistics industry. Different models exist for this, ranging from collecting and delivering loads in accordance with client instructions to taking full responsibility for the strategy underlying logistics. The most common approach in practice falls between these extremes and has the logistics company taking responsibility for warehousing clients' inventory and transporting that inventory as required for production or the fulfilment of orders.

Overview of the Strategic Case Study Pilot Papers

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

- Variant 1: Environmental protesters have taken to disrupting the free movement of traffic to and from major distribution centres.
- Variant 2: Daistruk is considering the construction of a new inland container port.

These variants offered a number of strategic challenges that faced Daistruk's Board. Both variants required candidates to respond to requests for assistance from the Chief Finance Officer. Tasks required candidate to put themselves in the position of members of Daistruk's Board and to participate in the strategic decision-making process.

Both variants complied with the published blueprint and covered the core activities in the prescribed weightings. Each variant consisted of three tasks and each task was further subdivided into two separate sub-tasks. The weighting attached to each sub-task was stated and candidates were advised to allocate the time available for each requirement on the basis of those weightings.

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Variant 1

TASK 1

Protesters have staged a protest at one of Roundland's largest logistics companies and Daistruk's Board are meeting to discuss their position.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **explain** whether or not Daistruk should recognise the environmental protesters as stakeholders and, if so, **discuss** the advantages and disadvantages for Daistruk by engaging with them.	60%	B – Conduct an analysis of stakeholder needs and recommend appropriate responses	argued that the protesters should be recognised, although arguments to the contrary were also be marked on their merits. Good answers generally offered a logical reason for (or against) recognising the protesters as stakeholders and offered a balanced argument in relation to the merits of engagement.	Lacked development, with relatively little support for broad assertions relating to the requirement.
(b)	Second, **recommend** how the risks that Daistruk's operations could be disrupted by protests should be addressed and recorded in the risk register.	40%	D – Evaluate risks and recommend responses and can maintain the corporate risk register	offered clear recommendations with good justification. That is important because directors and senior managers are unlikely to be willing to have any confidence in a recommendation unless it is accompanied by a clear explanation of its potential advantages. Good answers also tended to offer a clear explanation of the information that would be logged in the risk register in relation to this risk and its mitigation.	offered a brief recommendation of a response, with little justification and with little explanation of how the risk might be dealt with in the risk register.

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TASK 2

The Board are considering carrying goods by rail rather than by road and require your evaluation of the impact on all stakeholders and the implications of using a green loan to fund the investment.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the possible replacement of road transportation with rail by reference to Daistruk's vision 'to have a positive impact on all stakeholders through the provision of sustainable supply chain strategies and services'.	50%	A - Evaluate strategic options (digital and otherwise)	identified a range of stakeholders and highlight the conflicts between their respective needs and interests. Good answers discussed the extent to which the shift to rail might enhance sustainability.	offered a very limited discussion of the stakeholders who might be affected by this switch to rail, perhaps discussing only the impact on the company's relationship with the protesters.
(b)	Secondly, **evaluate** both the commercial and ethical implications of using a green loan to fund the R$110 million required for this investment.	50%	C - Recommend suitable sources of finance	discussed both the nature of the asset being financed and the company's present financial position.	made common mistakes such as identifying potential sources of finance, but failing to develop any explanation for recommendations. Poor answers often claimed that Daistruk's R$328 of retained earnings could be used as finance which is clearly incorrect. Retained earnings are not a source of finance.

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TASK 3

Daistruk has made a commitment to replace articulated trucks with railway locomotives and wagons.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the argument that it is unethical for Daistruk to claim that the switch to rail is evidence of progress towards specific United Nations (UN) Sustainability Development Goals (SDG). Please bear in mind that the main reason for doing so was concern that we would be targeted by environmental campaigners if we did not reduce our use of road transport.	40%	D – Identify ethical dilemmas and recommend suitable responses	were well developed, with candidates drawing upon CIMA's ethical principles to justify their arguments.	attempted to draw upon CIMA's ethical principles but were lacking in justification.
(b)	Secondly, **evaluate** the arguments for and against Daistruk's Board establishing a sustainability committee of non-executive directors to review our operations and disclosures.	60%	E – Recommend responses to the threats arising from poor governance	tended to offer a wide range of valid arguments both for and against the proposition. Good answers were well supported with explanations of the points being made. Good answers often used information from the pre-seen to develop arguments such as Board members' expertise to staff such a committee.	were generally on track, but offered insufficient explanation in support of their positions.

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Summary of Variant 1 blueprint coverage

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

Sub-task	Topic	Core activity					Total
		A:	B:	C:	D:	E:	
Task 1							
(a)	Stakeholders		21				**21%**
(b)	Risk register				12		**12%**
Task 2							
(a)	Vision	17					**17%**
(b)	Funding			17			**17%**
Task 3							
(a)	Sustainable business				12		**12%**
(b)	Board committee					21	**21%**
Pilot paper totals		**17%**	**21%**	**17%**	**24%**	**21%**	**100%**
Blueprint weightings		***15-25 %***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

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Variant 2

TASK 1

The Board is considering an opportunity to acquire an unquoted company that owns and operates an inland port.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the proposed acquisition of Rayltray using the suitability, acceptability and feasibility criteria (SAF).	60%	B – Select and apply suitable strategic analytical tools	demonstrated a sound understanding of a wide range of issues both in favour and against the potential acquisition of Rayltray. Good answers usually discussed all three of the SAF criteria and present a balanced assessment of each. In terms of suitability, including reflection on the impact of this acquisition on Daistruk's vision and mission. In terms of acceptability, this included a clear assessment of risk and returns of the proposal and also assessed the main stakeholders impacted by this proposal, including shareholders, customers and competitors. For feasibility, good answers considered the existing experience and skills of Daistruk and considered the financial implications of such a large acquisition. Good answers consistently made good use of the reference material (both the pre-seen and the question reference material) to support the points they made within their SAF assessment.	were brief and limited in both scope and depth.

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(b)	Secondly, **identify** with reasons the problems that could emerge post-acquisition if Daistruk acquires Rayltray.	40%	A – Evaluate potential acquisitions and divestment opportunities	demonstrated a sound understanding of the potential post-acquisition problems and challenges that Daistruk may encounter. Good answers presented a range of well-argued and well applied problems. They also made full use of the reference material, which highlighted several relevant issues, such as the current contract with one of Daistruk's main competitors, to support their answers.	often failed to adequately develop the answer and some may focus more on generic problems of acquisitions, rather than the specific problems that Daistruk would encounter as a result of the current problems at Rayltray.

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TASK 2

The Board is still considering whether to acquire Rayltray.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **recommend** with reasons how Daistruk should deal with the funding issues arising from: financing the R$75 million acquisition of Rayltray; managing Rayltray's R$40 million borrowings; and financing the R$60 million for construction work at Rayltray.	60 %	C – Recommend suitable sources of finance	clearly and specifically dealt with each of the three funding issues separately, as the requirement had clearly set out. They considered a range of funding options, including an evaluation of debt and equity options. Good answer fully explored the share exchange option as a means of financing the R$75 million acquisition and recognised the uncertainty surrounding the R$60 million construction investment and the discuss impact that this would have on the funding decision.	did not address the three issues separately, and instead considered the total R$175 million as one lump sum of potential investment. The question specifically references the three issues separately and candidates were expected to consider them individually. Poor answers were often theoretical, with limited direct application of the funding methods discussed to the case context. Poor answers often demonstrated knowledge of business valuations and funding methods, which were not asked for. Few marks are awarded at strategic level for merely demonstrating knowledge. Poor answers tended to be brief, theoretical and with no direct application to the case.
(b)	Secondly, **evaluate** whether the intention to retain Rayltray's senior management team implies that Daistruk lacks the strategic management skills to lead this new subsidiary.	40 %	A – Evaluate potential acquisitions and divestment opportunities	recognised the need for Daistruk to make use of the experience and knowledge of Rayltray's senior management team during the transition period.	were often brief and failed to cover relevant and applied points which focus specifically on this proposed transition. Some focussed more on the skills of Daistruk's current board rather than on the potential benefits of using the skills and experience of Rayltray's senior managers. Candidates should focus directly on what has been asked.

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TASK 3

Daistruk has completed its acquisition of Rayltray and receives some initial feedback following a surprise safety inspection carried out at Daistruk's Rayltray inland port.

Sub-task		% time	Core activity	Good answers for this sub-task often:	Poor answers for this sub-task often:
(a)	Firstly, **evaluate** the risks arising from the matters identified in the letter.	50%	D – Recommend internal controls	presented a separate assessment of each of the three issues highlighted in the letter. Good answer highlighted the reputational impacts and the potential financial implications of the risks identified in the letter and demonstrated understanding of the case context to explore the potential impacts on Daistruk of these risks.	were brief and insufficiently focussed on the specific issues identified in the letter. Some poor answers concentrated too much on identifying mitigations for the risks rather than evaluating the risks themselves.
(b)	Secondly, **recommend** with reasons how the Internal Audit Department might assist Daistruk's Board to ensure that safety procedures at Rayltray are adequate.	50%	E - Apply internal audit resources	made a good attempt to discuss the role of Internal Audit in ensuring adequate safety procedures are implemented and managed at Rayltray's inland port. Good answers correctly considered the need for the Internal Auditors to ensure that Rayltray operates to the same safety standards as Daistruk and that all procedures and documentation are made fully available to Rayltray. Testing and regular review of these procedures, such as adequate and appropriate training were also be considered in good answers.	tended to be generally descriptive of the role of Internal Audit, with little or no direct application to their role in ensuring Rayltray's safety procedures are adequate. Some poor answers ignored the specific risks set out in the reference material.

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Summary of Variant 2 blueprint coverage

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

Sub-task	Topic	Core activity					Total
		A:	B:	C:	D:	E:	
Task 1							
(a)	Proposed acquisition		21				**21%**
(b)	Post-acquisition problems	12					**12%**
Task 2							
(a)	Raising finance			21			**21%**
(b)	Management skills	12					**12%**
Task 3							
(a)	Risks				17		**17%**
(b)	Internal audit					17	**17%**
Pilot paper totals		**24**	**21**	**21**	**17**	**17**	**100%**
Blueprint weightings		***15-25 %***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

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