May and August 2026
Management Case Study
CGMA Professional Qualification
Full post exam support materials

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

Pre-seen material

May and August 2026 Management Case Study pre-seen.

Examiner's report

The May and August 2026 examiner's report.

Exam variants

- Variant 1
- Variant 2
- Variant 3
- Variant 4
- Variant 5
- Variant 6

Suggested solutions

- Suggested solutions for variant 1
- Suggested solutions for variant 2
- Suggested solutions for variant 3
- Suggested solutions for variant 4
- Suggested solutions for variant 5
- Suggested solutions for variant 6

Marking Guidance

- Marking guidance for variant 1
- Marking guidance for variant 2
- Marking guidance for variant 3
- Marking guidance for variant 4
- Marking guidance for variant 5
- Marking guidance for variant 6

If you need any further information please contact us.

Management Case Study Examination

May – August 2026

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 ongoing 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.

© CIMA 2026. No reproduction without prior consent

Contents

Context Statement 2
Introduction 4
Food packaging 4
Types of packaging 8
Selecting packaging 11
Cartn 12
Manufacturing 12
Consultancy 14
Cartn's Board structure 15
Cartn's business model 16
Extracts from Cartn's annual report 17
Sustainability 19
Extract from Valboxx's annual report 20
News reports 22

© CIMA 2026. No reproduction without prior consent

Introduction

Cartn provides the food industry, including beverages, with retail packaging solutions. It supplies packaging materials designed to meet food manufacturers' specific needs. It also offers support in the design and installation of packaging facilities for food manufacturers.

Cartn is one of the world's largest manufacturers of food packaging. It holds many patents for innovative design features.

Cartn is based in Harrland. Harrland's currency is the H$. Harrlandian company law requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

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

Food packaging

Food packaging can be classified as primary, secondary or tertiary.

Primary packaging 	Primary packaging comes into direct contact with the food product itself. It contains the food and protects it from contamination. Primary packaging can take different forms, including glass bottles, jars, protective film, plastic bags and metal cans. For example, breakfast cereals are often packaged in sealed plastic bags that help to maintain the cereal's freshness.
Secondary packaging 	Secondary packaging is an additional protective layer that surrounds the primary packaging. Its main function is to provide protection for transporting and storing the products. Secondary packaging is often the consumer's initial point of contact with a product. Secondary packaging can also provide a good base for branding products and for printing instructions. For example, breakfast cereal is often packaged in a paperboard box that acts as secondary packaging in addition to the sealed bag used as primary packaging. Boxes are easier to display on supermarket shelves than flexible packaging such as plastic bags and can be more easily printed

© CIMA 2026. No reproduction without prior consent

	with logos and other graphics that will attract consumers.
Tertiary packaging 	Tertiary packaging consists of containers that are used to ship products, providing both protection and ease of handling. This can range from shipping containers and wooden pallets to corrugated paperboard boxes. Customers are unlikely to see the tertiary packaging that was used to ship their purchases.

Care must be taken when selecting packaging materials for food, particularly in relation to primary materials:

- There can be harmful interactions between some packaging materials and the products that they contain. For example, fruit juice is often acidic, so soft drinks containing fruit juice might react with the metal in an aluminium can. Such reactions can impair a product's flavour and might be harmful to consumers. Packaging can be designed to prevent such reactions. For example, metal cans are usually lined with lacquer to prevent contact between the products and the metal.
- Many products must be protected from environmental factors such as moisture, oxygen or light. For example, biscuits are often wrapped in film that prevents the biscuits from absorbing moisture. Exposure to moisture would soften the biscuits and make them unpleasant to eat. Suitable packaging can extend the product's shelf life.
- Most countries have strict regulations concerning food packaging to prevent the use of materials that have been found to be unsafe.
- Sustainability is an important issue. Excessive packaging or the use of packaging materials that cannot be recycled can affect demand for the product.
- Cost can be an important consideration. Apart from the direct cost of the materials themselves, there could be associated costs associated with transportation. For example, glass bottles are heavier than their plastic equivalents and so they may cost more to transport.
- Presentation must also be taken into account. Customers might find some materials more attractive than others. More attractive packaging could boost demand by creating perceptions of quality. It may also be necessary to print product contents, instructions relating to product storage and preparation, and barcodes on the packaging. Some materials might offer superior clarity for printing.

Most of the issues relating to primary packaging also apply to secondary. The main difference is that secondary packaging does not come into contact with the food products and so safety is less of a concern.

© CIMA 2026. No reproduction without prior consent



Not all products require secondary packaging. For example, products such as muesli and ground coffee are often packaged in plastic bags that are designed to stand upright on supermarket shelves. These products will not be at risk of breaking during storage and handling and so secondary packaging is unnecessary.

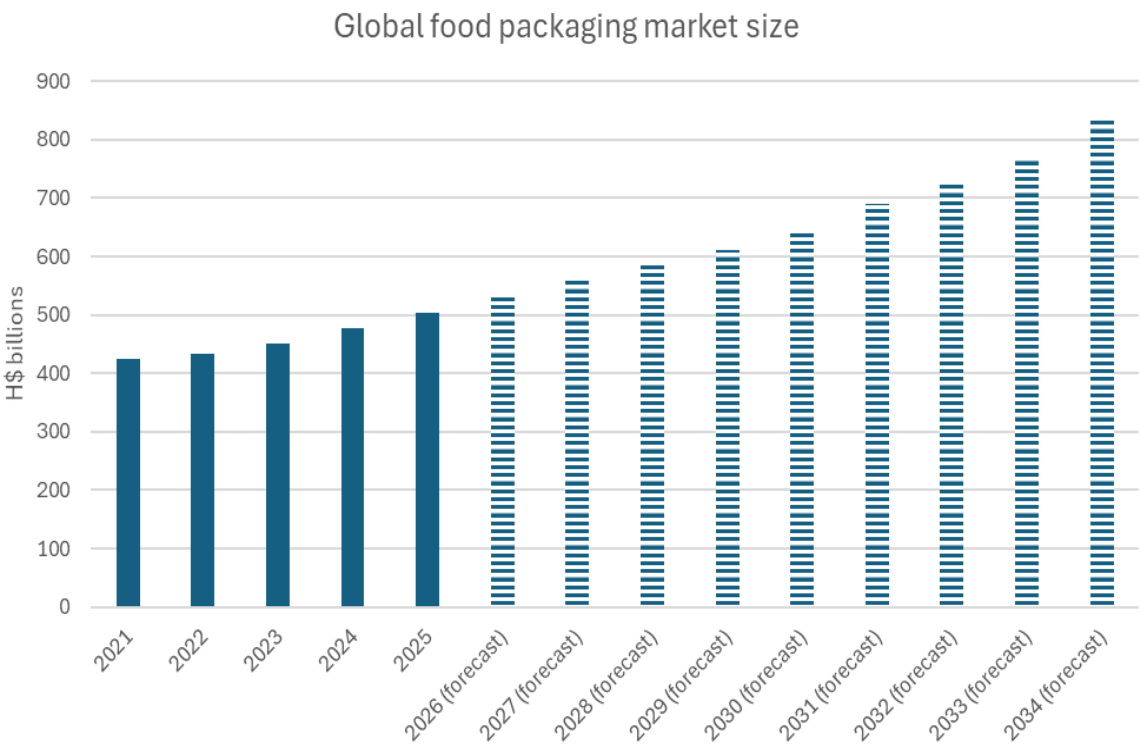
Secondary packaging may be intended to enhance a product's appearance rather than add protection. For example, frozen pizzas are often packaged in plastic wrap. The pizzas could be safely labelled and sold without secondary packaging, but most manufacturers package them in paperboard boxes to make them more appealing.

Tertiary packaging is essentially selected on the basis of logistics. It is generally required to transport goods in bulk and to assist in loading and unloading. Customers will not see the tertiary packaging and so materials may be selected solely with cost and efficiency considerations in mind.

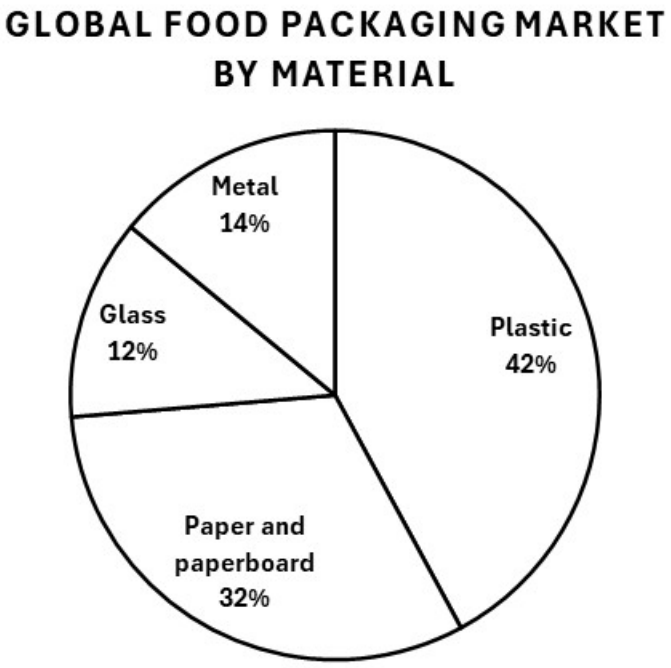


Demand for food packaging is growing steadily. Consumers are buying more packaged food in preference to loose products, such as fruit, vegetables and meat that are sold without packaging or are wrapped at the time of purchase. Packaged foods are generally easier to store and prepare than loose products. Many packaged food products are intended to be heated in their packaging or are cooked and packaged ready to be heated quickly in a microwave oven or a saucepan.

© CIMA 2026. No reproduction without prior consent



A wide range of materials is used in the manufacture of food packaging:



© CIMA 2026. No reproduction without prior consent

Types of packaging

Food packaging can take many different forms.

Rigid containers	Rigid containers are generally made from materials such as glass or metal. They can protect their contents from crushing.
Cans  	Metal cans can be used to store food for extended periods without any need for refrigeration because they protect the contents from moisture, light and oxygen. Cans are often used to package food that has been cooked and requires only to be heated before consumption. Or they can be used to store products such as fruit that do not require to be cooked or heated. Cans are usually wrapped in printed paper labels that carry branding and other information.
Jars 	Jars are made from glass bodies with metal lids. The lids are airtight when first attached at the factory and so jars can protect their contents from moisture and oxygen, but not light. Jar lids can usually be replaced after the jar has been opened, allowing the contents to be used in small quantities at a time, while it remains fresh. Jars are often used to store products that are neither solid nor liquid, including jam and sauce. The airtight lids also make jars suitable for storing products that will deteriorate if they are exposed to moisture. These include dried herbs and spices and powdered products such as instant coffee.
Flexible containers	Flexible containers are frequently made from plastic or metal foil. Flexible containers are generally cheaper to produce than rigid containers such as cans and jars. They are also lighter, which reduces the carbon footprint associated with the transportation of packaged goods.
Bags and films 	Plastic and metal can be made into bags. These can be designed for ease of opening. Some bags can be opened by pulling the sides apart so that the seals give way. Bags can be designed to be flat bottomed and freestanding or they can be simple pouches that may have to be piled if they are not to be enclosed in secondary packaging such as boxes. Plastic and metal films and foils can also be supplied as rolls of material that can be applied as a wrapping for individual products. For example, frozen pizzas can be shrink wrapped in plastic film. The film can be cut open and removed before the product is heated.

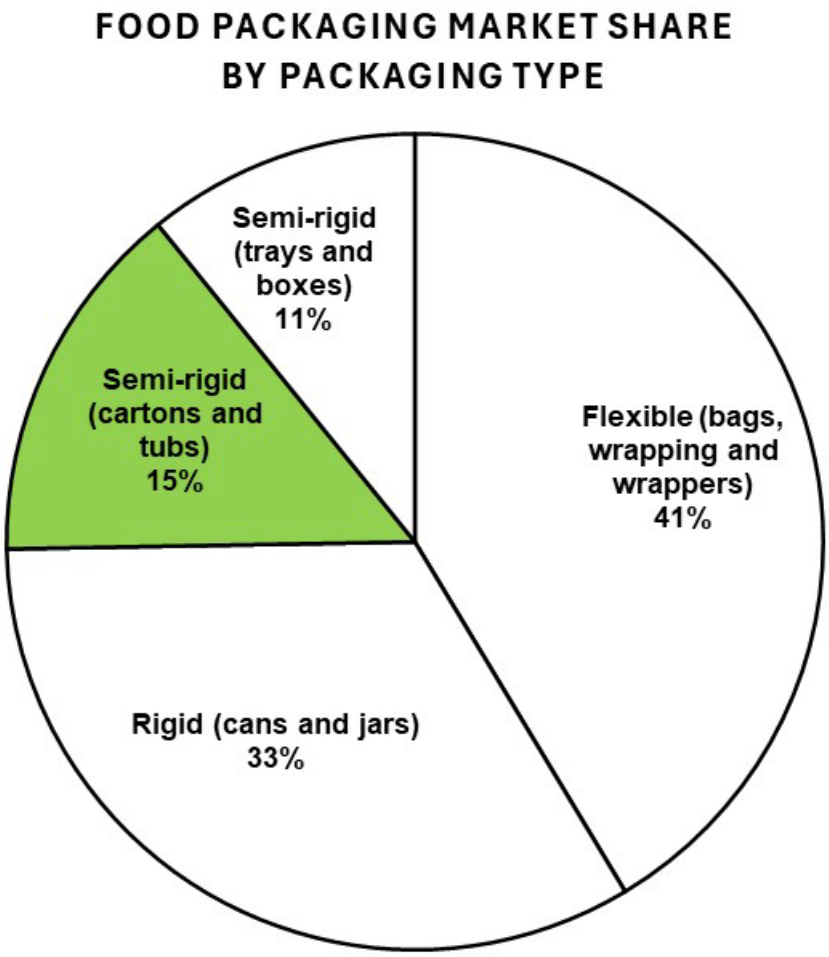
© CIMA 2026. No reproduction without prior consent

Wrappers  	Some items are wrapped individually in flexible plastic or metal foil. This can be convenient for the sale of, say, chocolate bars to customers who wish to buy a single item as a snack. Manufacturers often provide the option of buying multiple units in secondary packaging, such as boxes or trays. These may be intended for sale through supermarkets and promoted as “family packs”.
Semi-rigid containers	Semi-rigid containers fall between rigid and flexible containers in terms of the physical protection that they provide for products. They usually weigh more than flexible containers, but less than rigid. Semi-rigid containers are often made from plastic or from paperboard.
Trays 	Trays are versatile semi-rigid containers that can consist of plastic or paperboard bases. The trays may be wrapped in plastic or have a sheet of plastic across their tops to retain and protect the contents. The tray can have a single compartment or can have several sections to keep elements of the product separate. For example, a microwaveable curry might have separate sections for the rice and sauce. The plastic used in trays will be thicker and heavier than that used for bags. Trays are often enclosed within cardboard boxes or paperboard sleeves. This secondary packaging reduces the tendency for trays to flex and possibly leak or damage the contents. They are also a useful medium for printing storage and cooking instructions.
Tubs  	Tubs can be made from plastic or layers of paper. They are stronger than trays and may be intended for use in applications that require the packaging to be opened and closed repeatedly. For example, a plastic tub containing butter might have a removeable lid that can be removed and replaced after use, so that the butter can be stored in the refrigerator until it is needed again. Tubs made from layers of paper are frequently intended for use at low temperatures, such as ice cream. Tubs can often be printed with all necessary branding and other information, making secondary packaging unnecessary.

© CIMA 2026. No reproduction without prior consent

Boxes 	Boxes protect products and can be used to print branding and instructions. Boxes can be used for primary packaging, but they are more likely to be used as secondary packaging, with the food being contained within a bag or wrapping inside the box.
Cartons 	Cartons are constructed from paperboard and layers of aluminium and plastic. These materials are bonded together with adhesive. There are usually two layers of plastic between the carton's contents and the aluminium. That prevents the food from being tainted by dissolving and absorbing the aluminium. The aluminium layer protects the contents from light. The paperboard strengthens the carton, without making it completely rigid. Cartons are often used to package liquids, including milk and fruit juice. Most cartons have plastic caps that can be twisted open like bottle caps. The tops usually incorporate a seal that breaks when the carton is first opened, which makes it possible to tell whether the food might have been interfered with.

© CIMA 2026. No reproduction without prior consent



Selecting packaging

Food packaging can be produced in-house by food manufacturers, or it can be purchased from third-party suppliers. Packaging food products is usually an integral part of the manufacturing process, with packaged food production lines being equipped to package the food products immediately after they have been made.

Food manufacturers must consider the following factors when selecting packaging:

- The manner in which the product will be stored is important. For example, frozen food must be packaged using materials that will not be damaged by low temperatures.
- The product's preparation is also a consideration. For example, if a product is intended to be heated in a microwave, then the packaging will have to be designed so that it can be microwaved without tainting the food or compromising consumer safety. Some plastics would melt in a microwave oven and would make the food harmful to eat. Metal foils catch fire if they are microwaved.
- The packaging should also be compatible with the food product. For example, plastic bags that are intended to package leafy salad are often perforated to permit some airflow through the product, which reduces condensation inside the bag. Suitable packaging can extend the product's shelf life.

© CIMA 2026. No reproduction without prior consent

- Packaging should make food products visible alongside rival brands and should be attractive to consumers.
- Food packaging must comply with legislation and other regulations, both in relation to food safety and sustainability. Food manufacturers should consider whether their packaging can be recycled. If it cannot be recycled, then it should at least be biodegradable.
- Some products require aseptic packaging, which involves the sterilisation of both the food and the container before the food is packaged. This occurs in a sterile environment. Bacteria can cause food to deteriorate, so their elimination can extend product shelf life, possibly avoiding food waste. In some cases, aseptic packaging eliminates the need for food to be refrigerated while the packaging remains unopened. Aseptic packaging can also protect consumers from food poisoning.

There is a buoyant demand worldwide for packaging. Customers are, however, increasingly concerned about sustainability and the safe disposal of used packaging.

Cartn



Cartn was founded in 1960. The food industry was at that time changing significantly, with growing emphasis on the sale of processed and packaged foods. Cartn's founders were engineers who had ambitious plans for the development of new and improved packaging techniques.

Cartn was quoted on the Harrlandian Stock Exchange in 1978. Its founders sold their remaining shares and left the company in 1983.

The company has two main sources of income:

- manufacturing
- consultancy

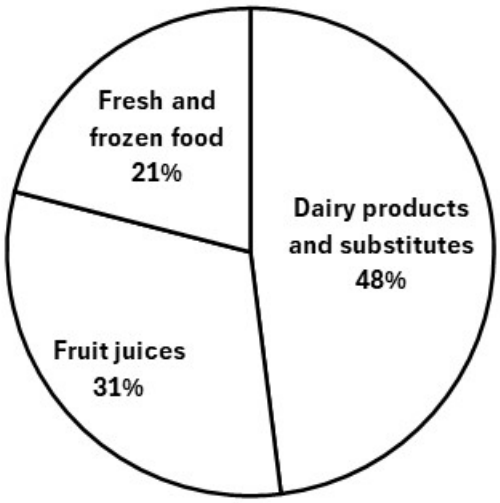
Manufacturing

Cartn is one of the six largest manufacturers of cartons and tubs, employing 23,000 employees in 27 factories around the world. It supplies a wide range of food manufacturers, who require a reliable source of good quality packaging for their products.

Cartn supplies food manufacturers in the following categories:

© CIMA 2026. No reproduction without prior consent

CARTN
MANUFACTURING SALES BY REVENUE



Cartn specialises in the manufacture of cartons and tubs for use as food packaging.

Cartn is a major supplier of cartons and tubs to companies who sell fresh and processed milk and milk substitutes.

- Fresh milk can last for up to 21 days after it is pasteurised, provided it is kept refrigerated in its carton. Cartons of fresh milk are transported in refrigerated vehicles, displayed on refrigerated cabinets in shops and then kept in customers' refrigerators until the milk has been consumed.
- Milk can also be processed using an aseptic process that creates Ultra-High Temperature (UHT) milk. That involves heating the milk to 135 degrees centigrade for a few seconds to kill most of the bacteria before it is packaged in sterilised cartons. UHT milk can then stay fresh for up to six months without refrigeration, provided it is not opened. After opening, UHT milk will remain fresh for 3-5 days in a refrigerator.
- Dairy manufacturers also require tubs for some dairy products such as yoghurt. Cartn supplies both plastic and paper tubs.
- Some customers require cartons for dairy substitutes. These include milk substitutes manufactured from plant-based ingredients including soy, almond and oats.



Cartn also supplies cartons for fruit juices. These are similar to the cartons used for packaging milk.

Cartn supplies a range of tubs used as food packaging, primarily chilled and frozen foods including ice cream. These can be made from plastic or layers of paper.

All of Cartn's packaging is supplied in standard sizes, such as 1 litre, 0.5 litre and 0.2 litre.

Larger cartons are primarily intended for sale through supermarkets. Smaller cartons are often sold as individual portions through shops or takeaway food outlets. They can be supplied with straws for convenience.

© CIMA 2026. No reproduction without prior consent

Cartn's customers generally place frequent orders. Doing so ensures they have sufficient packaging on hand to avoid disruption of their production schedules, without needlessly tying up cash in excessive inventory.

Cartn provides customers with software that enables them to design the graphics and text that are to be applied to their packaging products. Those designs are emailed to Cartn and are used to ensure that all packaging is printed to customers' exact specifications.



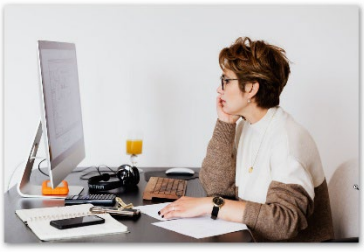
Cartons are supplied as rolls of laminated materials and separate plastic caps. Customers' production lines have machinery that folds the material into cartons, sealing all seams so that they are leakproof. Most cartons are fitted with sealed plastic caps that can be opened and reclosed. The cap is sealed with a plastic strip that prevents spills and reduces the risk of contamination before the carton is opened. The plastic strip is detached when the cap is first opened, so retailers and consumers can inspect the strip to check that the product has not been interfered with before opening.

Cartn's tubs are preformed before they are shipped to the customer, with separate supplies of lids. The shapes of the tubs and lids make it possible to stack them for efficient shipping.

Customers' production lines are designed to fill the tubs and attach their lids. There may be production processes to be completed between the tub being filled and the lid being attached.

Consultancy

Cartn provides a consultancy service to design and install packaging equipment that is compatible with the cartons and tubs that it sells. Customers are often keen to use Cartn's expertise in the design of processes for filling tubs or cartons, making them ready for despatch.



The consultancy service employs 800 design and technical staff who are based in six offices around the world.

Clients who wish to use this service must brief Cartn's design team in relation to the product that is to be packaged. The design team must allow for the specific nature of the food products that are to be packaged, including:

- Will the packaging take the form of cartons or tubs?
- What sizes of cartons or tubs will be used?
- What will be the food's temperature when it is packaged?

Cartn's engineers design packaging systems that are compatible with clients' production lines. In many cases, the new packaging system will be required to replace an existing system that is either worn out or obsolete.

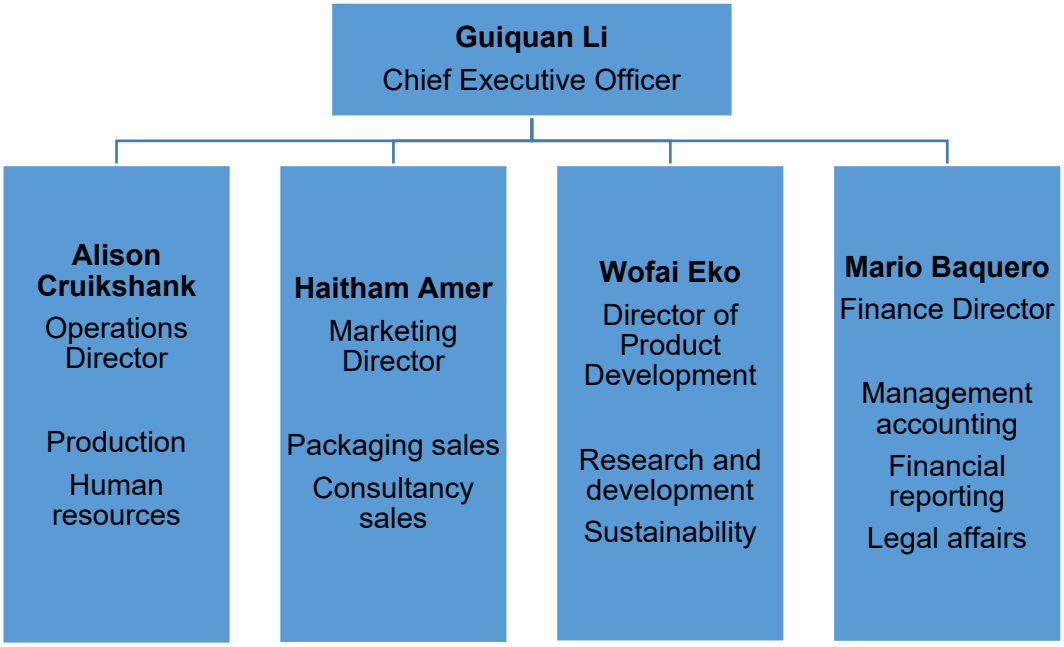
Cartn provides an advisory service. It does not make or supply its own equipment, nor does it offer installation. Clients are provided with detailed recommendations, listing specific manufacturers and models. The clients are able to order the specific equipment identified as

© CIMA 2026. No reproduction without prior consent

suitable by Cartn's engineers. Cartn does not install equipment, but it does provide plans to assist client staff or third-party technicians with the installation of the equipment after delivery.

Consultancy contracts are priced on the basis of the estimated time required to complete the design work and the seniority of the engineers assigned to the engagement. Any cost overruns are either charged to the client or are borne by Cartn, depending on the cause of the overrun.

Cartn's Board structure

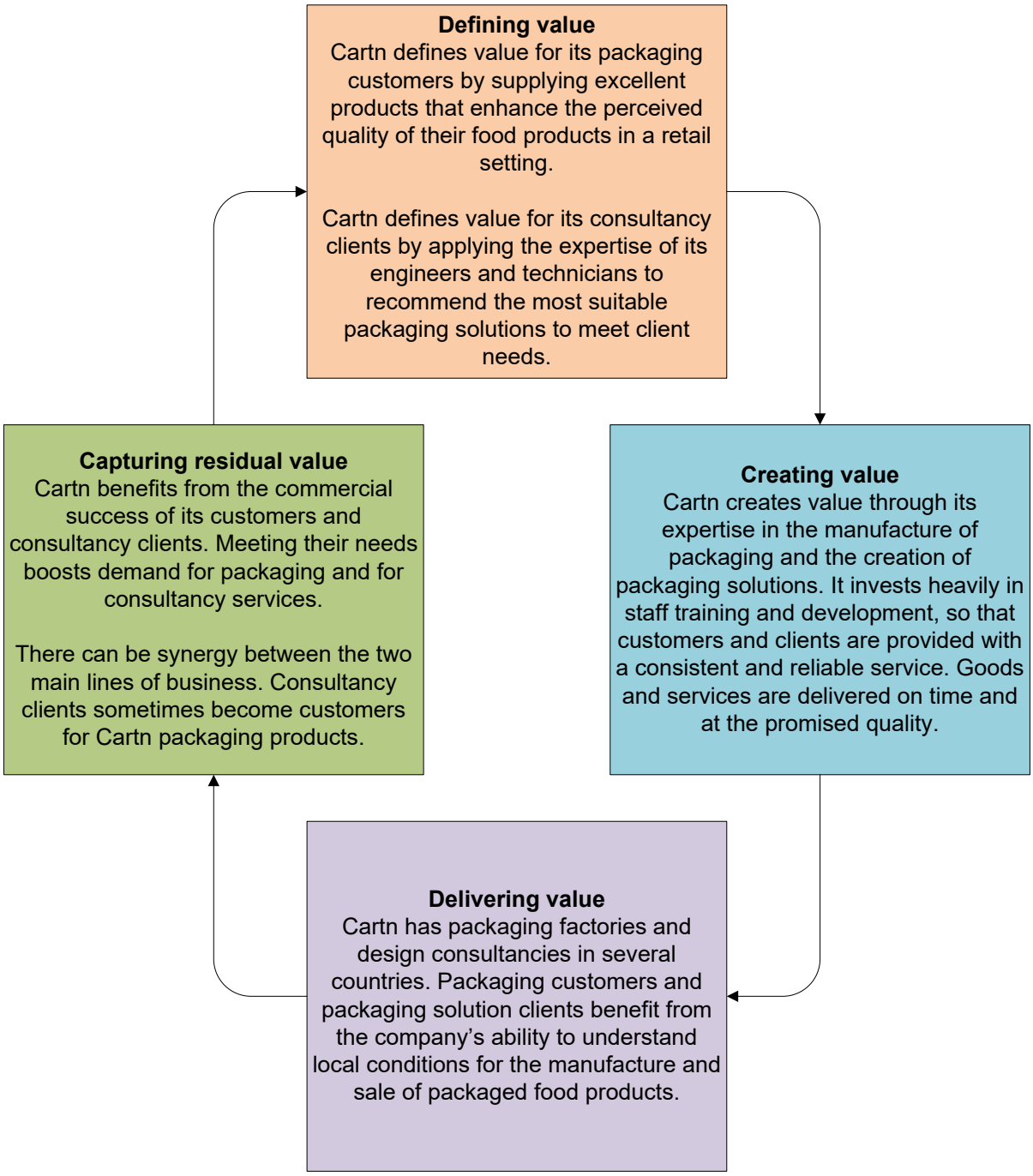


Cartn's Board also includes four non-executive directors:

- Evelyn Koay – Non-Executive Chair
- Kevin Morris
- Orna Yosef
- Philippe Benoit

© CIMA 2026. No reproduction without prior consent

Cartn's business model



© CIMA 2026. No reproduction without prior consent

Extracts from Cartn's annual report

Cartn Group Consolidated statement of profit or loss For the year ended 31 March	2026 H$ million	2025 H$ million
Revenue	1,236.2	1,149.7
Cost of sales	(964.2)	(919.8)
Gross profit	272.0	229.9
Administrative expenses	(132.0)	(138.0)
Operating profit	140.0	91.9
Finance costs	(12.3)	(12.9)
Profit before tax	127.7	79.0
Tax	(16.6)	(10.3)
Profit for year	111.1	68.7

Cartn Group Consolidated statement of changes in equity for the year ended 31 March 2026	Share capital and premium H$ million	Currency reserve H$ million	Retained earnings H$ million	Total H$ million
Balance at 1 April 2025	45.0	(24.3)	332.8	353.5
Exchange differences		9.6		9.6
Profit for the year			111.1	111.1
Dividends			(87.8)	(87.8)
Balance at 31 March 2026	45.0	(14.7)	356.1	386.4

© CIMA 2026. No reproduction without prior consent

Cartn Group Consolidated statement of financial position As at 31 March	2026 H$ million	2025 H$ million
Non-current assets		
Intangible assets	142.6	142.6
Property, plant and equipment	258.1	249.8
	400.7	392.4
Current assets		
Inventory	114.9	110.8
Trade and other receivables	133.4	127.7
Bank	25.8	19.7
	274.1	258.2
Total assets	674.8	650.6
Equity		
Share capital and share premium	45.0	45.0
Currency reserve	(14.7)	(24.3)
Retained earnings	356.1	332.8
	386.4	353.5
Non-current liabilities		
Loans	154.3	161.7
Current liabilities		
Trade and other payables	117.8	125.2
Tax	16.3	10.2
	134.1	135.4
	674.8	650.6

© CIMA 2026. No reproduction without prior consent

Sustainability

Governance	Cartn's Board accepts full responsibility for the sustainability of Group operations. The Director of Product Development has a specific responsibility for the oversight of all strategic matters relating to sustainability and is expected to keep the Board informed of all sustainability-related matters arising from operations and the implications for sustainability of any proposals that are under discussion.
Strategy	Food packaging requires the use of packaging that maintains the freshness of food and protects consumers from contamination. The manufacture and sale of tubs and cartons create challenges in relation to sustainability: • Cartn's products require the use of paperboard, aluminium and plastic. Sourcing these materials can be inherently unsustainable. • Cartn's products are made from laminated layers of different materials, which can complicate recycling of used packaging. Cartn addresses these concerns to the best of its abilities: • Most of Cartn's tubs use paperboard lids instead of the plastic that was previously used. • Cartn's paperboard is purchased from suppliers who can demonstrate that they source wood in a manner that encourages biodiversity. • Cartn is working on changes that will make its products easier and more efficient to recycle.
Risk management	Cartn has a sustainability committee that comprises senior managers from each functional area. The committee's responsibilities include the preparation and interpretation of routine reports on sustainability. Department heads receive regular sustainability reports on the performances of their departments. They are required to report to the Sustainability Committee if they fail to achieve targets.
Metrics	Cartn has been working on reducing the greenhouse gas emissions associated with its manufacturing processes. The average emissions per carton produced are now 24.0 g CO_2e. That is a significant reduction from the 2015 figure of 35.0 g CO_2e.

© CIMA 2026. No reproduction without prior consent

Extract from Valboxx's annual report

Valboxx is one of five major rivals to Cartn in the manufacture of cartons and tubs. Valboxx manufactures cartons and tubs, focussing on similar markets to Cartn's. Unlike Cartn, Valboxx concentrates on manufacturing. It does not offer a consultancy service.

Valboxx Group **Consolidated statement of profit or loss** **For the year ended 31 March**	**2026** **H$ million**	**2025** **H$ million**
Revenue	1,322.7	1,243.3
Cost of sales	(983.5)	(934.3)
Gross profit	339.2	309.0
Administrative expenses	(119.0)	(111.9)
Operating profit	220.2	197.1
Finance costs	(12.9)	(13.4)
Profit before tax	207.3	183.7
Tax	(26.9)	(23.9)
Profit for year	180.4	159.8

Valboxx Group **Consolidated statement of changes in equity for the year ended 31 March 2026**	**Share capital and premium** **H$ million**	**Currency reserve** **H$ million**	**Retained earnings** **H$ million**	**Total** **H$ million**
Balance at 1 April 2025	50.0	(21.1)	386.4	415.3
Exchange differences		4.7		4.7
Profit for the year			180.4	180.4
Dividends			(140.9)	(140.9)
Balance at 31 March 2026	50.0	(16.4)	425.9	459.5

© CIMA 2026. No reproduction without prior consent

Valboxx Group **Consolidated statement of financial position** **As at 31 March**	**2026** **H$ million**	**2025** **H$ million**
Non-current assets		
Intangible assets	151.2	151.2
Property, plant and equipment	302.1	289.9
	453.3	441.1
Current assets		
Inventory	147.5	130.8
Trade and other receivables	117.1	111.0
Bank	22.8	19.6
	287.4	261.4
Total assets	740.7	702.5
Equity		
Share capital and share premium	50.0	50.0
Currency reserve	(16.4)	(21.1)
Retained earnings	425.9	386.4
	459.5	415.3
Non-current liabilities		
Loans	161.3	168.1
Current liabilities		
Trade and other payables	93.2	95.3
Tax	26.7	23.8
	119.9	119.1
	740.7	702.5

© CIMA 2026. No reproduction without prior consent

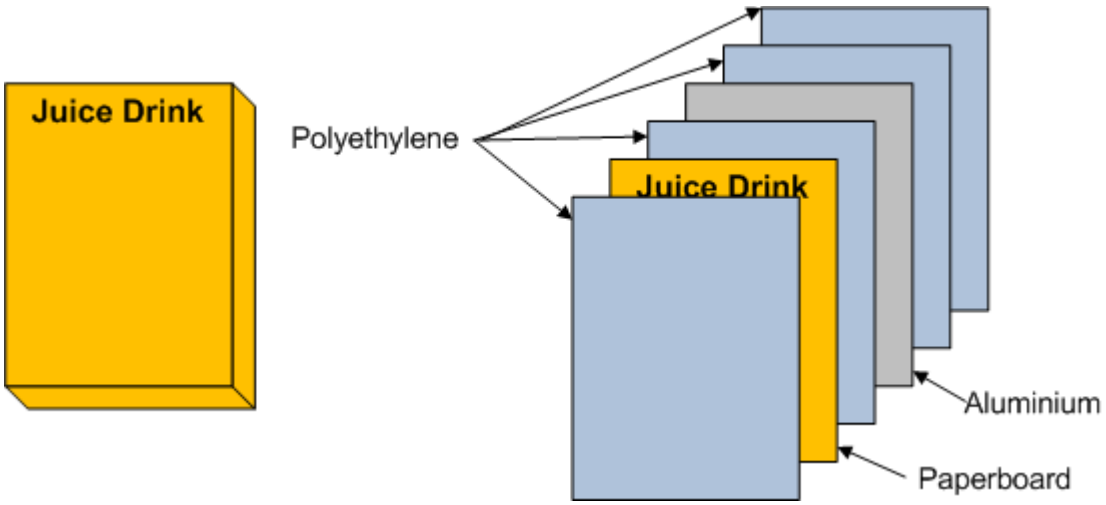
Happy Comic

Readers' questions

Question: What are drinks cartons made of? They look like paper, but when you pick one up it feels like plastic. If you cut one open, it is shiny inside.

Thomas, age 11

Answer: Your drinks cartons are made out of layers of different materials. It would be both difficult and expensive to make a safe and effective carton out of a single layer of material.



The paperboard is the thickest layer. It is usually printed with information about the product.

The polyethylene is a plastic that is used to protect the other layers. The polyethylene outer layer prevents the paperboard from being damaged by any liquid that is spilled on it during storage. The inner layers prevent the aluminium from damaging the food inside the carton. They also help to guard against bacteria.

The aluminium blocks out light, which would encourage the growth of bacteria, and so it helps to keep the contents safe to eat or drink. The aluminium makes the inside of the carton look shiny when you cut it open.

Question: I persuaded my parents to start buying drinks in cartons rather than in metal cans because I wanted us to be more sustainable. But I learned from a school project that cartons cannot be recycled easily. Should we go back to cans?

Mara, age 12



Answer: It was encouraging to read that you are working to make your family more sustainable.

The question of whether your cartons can be recycled depends on the local government in your area. Most local governments are prepared to accept cartons for recycling, but some are not. Those who do can separate and repurpose the materials that are used to make cartons.

© CIMA 2026. No reproduction without prior consent

Cartons are made from layers of paperboard, aluminium and plastic. The most common approach to recycling involves separating the paperboard from the other materials. The paperboard is then pulped and can be used to make paper. The plastic and aluminium are not separated, but they can be used as ingredients for building materials in their combined state.

If your local government does not have the facilities to recycle or repurpose cartons then, sadly, the cartons will have to be disposed of as household waste and will be dumped in a landfill site. That is basically a large pit in which waste is buried and left to decompose. Some waste, including cartons, takes many years to decompose.

© CIMA 2026. No reproduction without prior consent

Harrland Business News

Real recycling requires circularity



Recent research published by the University of Central City suggests that many consumers confuse repurposing with recycling. That can create a false impression of the sustainability of a particular company's products.

Recycling involves the recovery of materials in order to return them to their original state for reuse. For example, clear glass can be melted down and used to make new glass products. Similarly, metals can be recycled. Other materials that can be recycled include paper and metal.

Product design plays a large part in recycling. It must be possible to separate the individual materials, otherwise the different items will contaminate one another.

Repurposing involves the creation of something useful from a product that has reached the end of its useful life. For example, plastic bottles can be repurposed to make different products such as building insulation. Doing so is preferable to dumping the bottles in landfill, but it does mean that new fossil-based plastic must be sourced to replace the bottles that have been used and then converted into insulation or whatever. Repurposing makes it difficult to track the sustainability of the products that are repurposed because it can be difficult to measure the proportion of materials that have been put to good use.

© CIMA 2026. No reproduction without prior consent

Harrland Daily News

A career as a design engineer



Most companies are constantly innovating in the race to develop new and improved products. Innovation requires a number of skills, including the vision to come up with new ideas and the ability to identify ways in which existing products can be upgraded to enable them to remain competitive.

Design engineers play a crucial role in this process. They assist senior management by creating models that can be used to ensure that the end product will be viable. Those models could take the form of designs drafted using computer-aided design software on a computer. A drawing could answer a question such as whether all of the parts will fit inside the product.

Design engineers also create physical models, often referred to as “prototypes”. Some prototypes are created as working models that enable senior management or potential customers to see what the finalised product will be capable of. Others may simply be designed to look and feel like the finished product. In any case, they will be several steps removed from the mass-produced products that will eventually roll off the production line.

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658



Management Case Study Exam

Maximum Time Allowed: 180 minutes

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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).

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

Reference Material Pre-seen

Elizabeth Maenda, Cartn's Senior Financial Manager, asks you to join her in a meeting room:

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

My counterpart in Product Development has warned me that there will be significant costs associated with fulfilling our commitments to Luxsoup.

The Board is establishing a project team that will be responsible for managing our response to this proposal.

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

- Firstly, evaluate the consistency of this proposal with Cartn's business model.

[sub-task (a) = 60%]

- Secondly, recommend, stating reasons, whether the project team should focus initially on the technical difficulties associated with the design work or the commercial aspects of recovering Cartn's initial investment."

[sub-task (b) = 40%]

The extract referred to by Elizabeth and a copy of Cartn's business model can be found by clicking on the Reference Material button above.

Executive Summary Extract | Cartn's Business Model

Proposal for new product range
Executive summary

Prepared by Polly Wilson, Senior Marketing Manager

Luxsoup is a major customer that we currently supply with cartons as packaging for its range of high-quality soups that are sold from supermarket refrigerated cabinets. Luxsoup is seeking our advice in relation to packaging "Luxdinner", a range of fresh meal kits that is under development. These will be ordered online for next-day delivery by courier anywhere in Harrland.

Consumers will order Luxdinner meals from an extensive menu that will allow a choice of top-quality meats, vegetables and carbohydrates. Consumers will specify the number of people to be fed, and the meals will be portion-controlled accordingly.

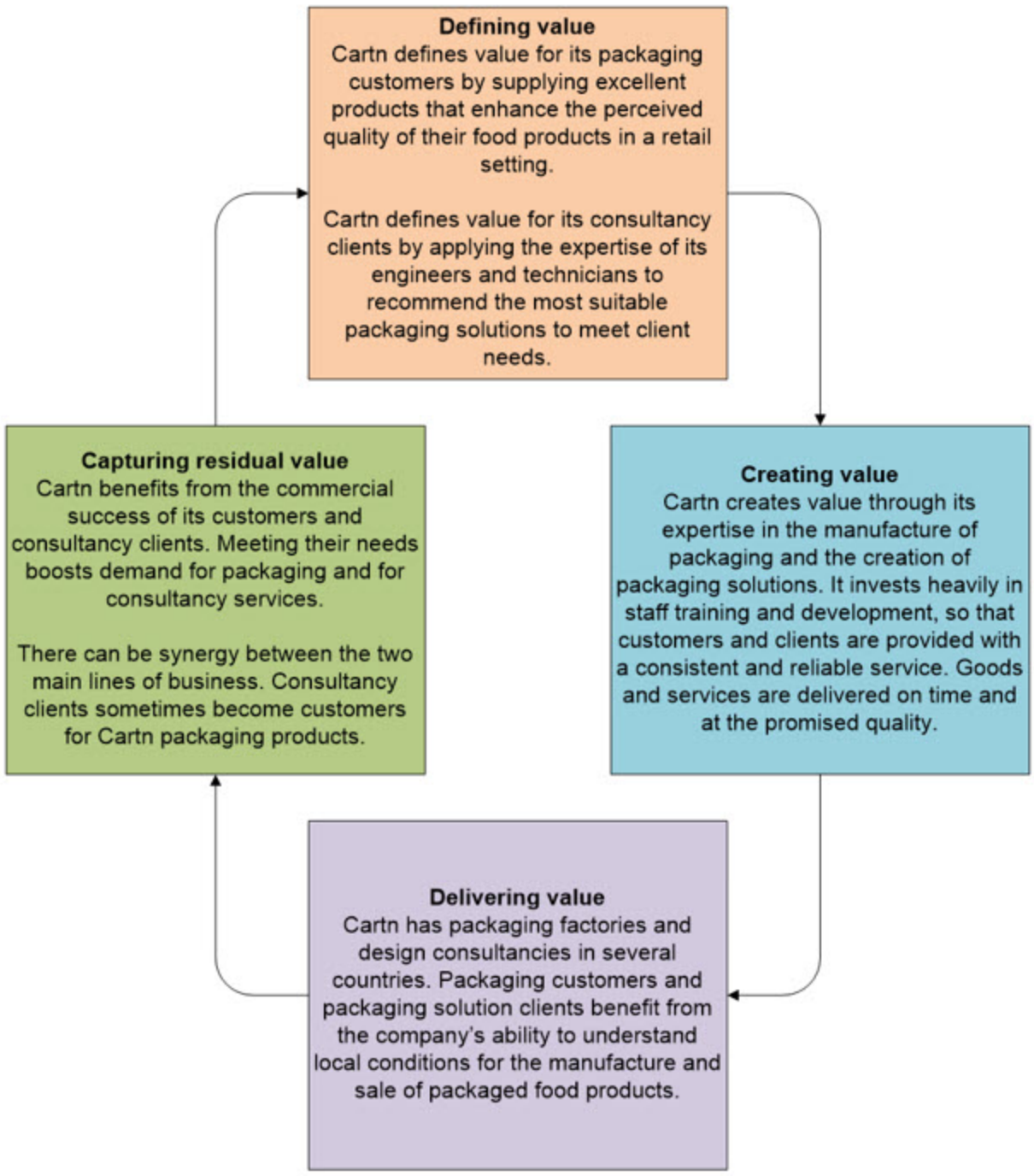
Each ingredient of a Luxdinner meal will be packed in a separate plastic tub, sealed with plastic film to ensure that the tub is airtight and leakproof. For example, a three-course chicken dinner for two might come as nine separate tubs, one for each ingredient, that will be packed inside a cardboard box printed with Luxdinner branding. The cardboard boxes will protect the tubs and will keep their contents chilled for several hours. The boxes will be delivered next day by courier companies.

Luxdinner meal kits will have to be packaged by hand because there are too many combinations of ingredients and portion sizes to fill tubs automatically. The company's employees will measure ingredients, put them in tubs and seal the tubs before loading them into cardboard boxes.

Cartn has been asked to assist Luxsoup by designing a system for packaging Luxdinner meal kits. Luxsoup will pay for this on our normal consultancy terms, but they wish to agree a price before we sign a contract. Luxsoup also wishes us to design and supply tubs, plastic film to package ingredients and cardboard boxes for use as external packaging for the new Luxdinner range. Luxsoup hopes to sell large quantities of these meal kits, making this a potentially significant source of additional revenue for Cartn. Luxsoup's Board has proposed that Cartn should bear the development cost for this new packaging. In return, Luxsoup will commit to purchasing the packaging exclusively from us.

Close

Cartn's Business Model



Reference Material Pre-seen

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

Reference Material Pre-seen

A month later, you receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Luxsoup proposal

Hi,

I have forwarded an email that I received from Mario Baquero, the Finance Director.

I need your advice on two matters before I meet with Mario.

- Firstly, recommend with reasons mitigations for the commodity price risk, the product risk and the contractual inadequacy risk that Mario refers to in his email.

[sub-task (a) = 60%]

- Secondly, identify and evaluate the features of borrowing that would affect its suitability for raising the H$80 million required by Cartn to finance the development of the new packaging.

[sub-task (b) = 40%]

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

From: Mario Baquero, Finance Director
To: Elizabeth Maenda, Senior Financial Manager
Subject: Luxsoup proposal

Hi Elizabeth,

I have investigated some of the issues associated with Luxsoup's proposal that we should develop plastic tubs and cardboard boxes for packaging their proposed range of meal kits that it has under development. There will be significant design challenges associated with these new products. The development work is likely to cost us H$80 million.

There are some significant business risks that could affect the outcome of this investment:

- The new packaging will require us to use materials that are often difficult to obtain, which could create a commodity price risk with price increases during periods of scarcity.
- There could be a product risk arising from poor consumer demand for the new meal kits.
- We will have to consider the contractual inadequacy risk associated with ensuring that we will be Luxsoup's exclusive suppliers for the packaging used in its meal kits.

Regards

Mario

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: Luxsoup proposal

Paragraph

Reference Material Pre-seen

Three months have passed. Cartn has been developing packaging for sale to Luxsoup, in the expectation that Luxsoup will purchase this packaging for its new meal kit product.

Elizabeth Maenda stops by your workspace:

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

I need you to advise me on two issues.

- Firstly, advise the Board on the accounting implications for Cartn in relation to the years ended 31 March 2027 and 2028 arising from Luxsoup's threat to withdraw from its arrangement to purchase the packaging that is under development.

[sub-task (a) = 40%]

- Secondly, identify and evaluate the difficulties associated with determining the opportunity costs of seconding expert design staff from the five design offices to the Harrlandian consultancy office."

[sub-task (b) = 60%]

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

Extract from minutes of Board meeting

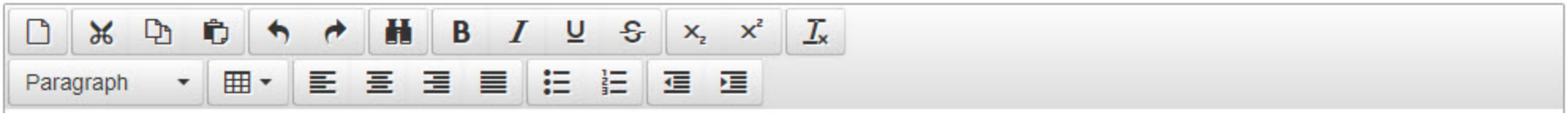
Wofai Eko, Director of Product Development, informed the Board that the development of packaging for meal kits is proceeding slowly. There have been several failed attempts to create test batches of packaging that will meet Luxsoup's criteria. Luxsoup's management is beginning to lose confidence in Cartn and has threatened to withdraw from the arrangement if Cartn cannot deliver a successful test batch within the next 6 weeks.

The Board discussed the implications of this threat for the accounting treatment of the development costs that Cartn has incurred to date. By the time that the financial statements for the year ended 31 March 2027 are finalised, Cartn will have spent H$35 million on development. Cartn will spend a further H$45 million during the year ended 31 March 2028 if the decision is made to complete development.

Wofai informed the Board that all of the development work associated with meal kit packaging to date had been conducted by the Harrlandian consultancy office. She believes that the development work is much more likely to succeed if expert design staff could be seconded from Cartn's other five design offices round the world. Unfortunately, it has been difficult for the manager in charge of the Harrlandian office to negotiate the release of experts from other offices to assist with this assignment.

Reference Material Pre-seen

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



Reference Material Pre-seen

Two months later, Cartn has delivered a test batch of the meal kit packaging that it had under development. Luxsoup is satisfied with this packaging and has placed a large order for it.

You receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Lessons from Luxsoup meal kit packaging

Hi,

I have forwarded an email from a senior manager in Product Development.

I am keen to hear your thoughts in relation to two matters.

- Firstly, recommend with reasons goals that could be set for our Product Development Department in relation to the balanced scorecard perspectives of learning and growth, customer, financial and internal business process.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the treatment of this new packaging product under the intellectual capital and social and relationship capital headings of our integrated report.

[sub-task (b) = 40%]

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

From: Brendan Dineen, Senior Manager in Product Development
To: Elizabeth Maenda, Senior Financial Manager
Subject: Lessons from Luxsoup meal kit packaging

Hi Elizabeth,

As you know, we were lucky to complete the development of the meal kit packaging to Luxsoup's satisfaction. Luxsoup came very close to pulling out of this arrangement because of our initial inability to meet their needs.

One of our problems was that we are not making efficient use of the skills of our design staff. We have six design offices, each of which employs 80–100 design staff. Most of those adapt existing products to meet customer needs. The Luxsoup project required us to create a new type of packaging, which required specific skills in materials and engineering. We wasted a significant amount of time in identifying design staff who were capable of designing this new packaging, which delayed the submission of prototypes to Luxsoup.

We damaged our credibility by submitting unacceptable prototypes to Luxsoup. We did so in order to demonstrate progress and also in the hope that Luxsoup's engineers might have been able to assist us with the difficulties that we faced. In fact, we almost lost this assignment.

The cost of developing these packaging products had been estimated at H$80 million. In fact, we spent H$120 million because of the need to second staff from overseas offices and the waste arising from failed prototypes.

We need to consider expanding the skill set across all of our design offices. We are receiving expressions of interest from potential customers to develop further new packaging products. The publicity associated with our involvement with Luxsoup's new meal kit product will benefit us.

Regards

Brendan

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: Lessons from Luxsoup meal kit packaging

Paragraph



Thank you for completing the Management Case Study Exam.

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

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



Management Case Study Exam

Maximum Time Allowed: 180 minutes

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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).

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

Reference Material Pre-seen

Elizabeth Maenda, Senior Financial Manager, invites you to join her in a meeting room:

"I have brought a copy of a news report that has just gone online. Cartn manufactured the defective packaging for Harzon Juice, which is one of Harrland's largest juice manufacturers. Our initial investigation suggests that our quality assurance procedures failed to identify the problem with this batch of packaging.

We have worked closely with Harzon Juice to supply replacement packaging, taking great care to ensure that it is of the highest quality. We have not yet discussed the question of compensation.

Our legal advisers have advised us to be ready to defend ourselves and have offered the following advice:

- Harzon Juice is likely to seek compensation of at least H$20 million for the expenses incurred in the recall of the defective cartons of pear juice. They might seek twice that amount, but our best estimate of the maximum expenses that Harzon Juice can justify is H$25 million.
- Harzon Juice is almost certain to demand compensation of at least H$150 million for the reputational damage that it will suffer for the adverse publicity associated with the recalled juice. It is almost certain that Harrland's courts would deny any claim for reputational damage, but there is a small possibility that they would award Harzon Juice damages of H$11 million.

Our legal advisers recommend that we should aim to settle any claims by negotiation.

I need your opinion on two matters before I meet with the Finance Director.

- Firstly, recommend with reasons the approach that we should take and the main issues that we should consider when negotiating a settlement with Harzon Juice.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the accounting treatment of the claim in Cartn's financial statements for the year ended 31 March 2027. You should assume that the claim will not be agreed before the financial statements are finalised. Assume that Harzon Juice claims to have incurred costs of H$40 million in recalling the batch of defective cartons and seeks H$180 million to compensate for reputational damage."

[sub-task (b) = 40%]

The news report referred to by Elizabeth can be found by clicking on the Reference Material button above.

Harrland Daily News

Consumers warned not to drink juice



Harzon Juice warned consumers not to drink snack sized cartons of its pear juice purchased during the past 14 days. The company used a batch of defective packaging to make its 200 millilitre cartons. The plastic layer was missing from the packaging, putting the juice in direct contact with the layer of aluminium inside the carton. Juice in these cartons will taste unpleasant, although it is unlikely to cause consumers any real harm.

Retailers have been advised of this problem and have removed all affected cartons from their shelves. Cartons purchased during the previous 14 days should be returned to the retailer and a full refund will be given.

A spokesperson for Harzon Juice commented that the problem with the cartons affected only the 200 millilitre size of pear juice that had been purchased within the past 14 days. None of Harzon's other products were affected by this manufacturing error.

Reference Material Pre-seen

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

Paragraph

Reference Material Pre-seen

A week later, you receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Harzon Juice

Hi,

I have forwarded an email that I received from Alex Wong, Senior Manager in Operations.

I need your advice on two matters before I meet with Mario Baquero, our Finance Director.

- Firstly, evaluate the argument that Cartn cannot claim to have complied with total quality management (TQM) procedures in relation to the Harzon Juice order.

[sub-task (a) = 60%]

- Secondly, identify and evaluate the difficulties associated with setting effective performance measures for Cartn's Product Quality Department.

[sub-task (b) = 40%]

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

From: Alex Wong, Senior Manager in Operations
To: Elizabeth Maenda, Senior Financial Manager
Subject: Harzon Juice

Hi Elizabeth,

My staff have undertaken an initial investigation into the factors that led to the recent shipment of defective packaging to Harzon Juice. The shipment was for sufficient sheets of printed laminate for Harzon to make 300,000 200 millilitre cartons for their pear juice drink. Unfortunately, there was a mechanical breakdown in our factory while that laminate was being manufactured. Cartn's maintenance engineers responded to the breakdown and told our production staff to scrap the first 100 sheets of laminate after the production line was restarted. Unfortunately, that warning was not acted upon because of a shift change in the factory. The replacement shift took over before production restarted and was not informed of the problem. We estimate that 70 defective sheets of laminate were included in the consignment that we sent to Harzon Juice because of this. Each sheet of laminate would be formed into a single carton.

Our senior manager in charge of the Product Quality Department at Cartn's Head Office has pointed out that Cartn's factories manufacture sufficient laminate to make a total of 500 million cartons every day. We conduct rigorous quality checks on samples of output. We receive very few complaints about product quality.

Regards

Alex

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: Harzon Juice

Reference Material Pre-seen

A month later, Elizabeth Maenda stops by your workspace:

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

I need you to advise me on two issues.

- Firstly, identify and evaluate the difficulties associated with predicting the cash flows associated with the development and manufacture of the new packaging material. We will need these for the purpose of determining the net present value (NPV) of the Director of Product Development's proposal.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the real options that Cartn's Board should consider in the evaluation of the proposed investment in this new packaging."

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, informed the Board that Cartn's Research and Development (R&D) Department was investigating a new type of paperboard that could be laminated to make cartons that did not require an aluminium layer to block light. The paperboard will be made using a different type of wood fibre that will eliminate the need for a layer of aluminium, although it will still be necessary to have a layer of plastic between the innermost layer of paperboard and the carton's contents.

R&D is investigating the availability of paperboard made using this type of wood fibre. It is not generally available from paperboard manufacturers, although Cartn's existing suppliers have indicated that they could supply it in commercial quantities provided we place a firm order for a minimum monthly delivery.

R&D hopes that replacing aluminium with paperboard will reduce Cartn's production costs, although we will have to investigate the costs of modifying our factory equipment to deal with the new material.

Ms Eko expects that Cartn's customers will be attracted to this new material because it will be slightly cheaper than our existing packaging. She proposed that the Board should fund the development of this new material.

Reference Material Pre-seen

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

Reference Material Pre-seen

A month has passed. Cartn's R&D Department is working on the development of the new aluminium-free packaging.

You receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Aluminium-free packaging

Hi,

I have forwarded an email from the Finance Director.

I am keen to hear your thoughts in relation to two matters.

- Firstly, explain whether it is acceptable for Cartn's sustainability report to emphasise the environmental benefits of a new product that is clearly being developed in order to enhance our profitability.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the performance indicators that could be used to encourage the R&D Department to consider sustainability in the development of future products and manufacturing processes.

[sub-task (b) = 40%]

The email referred to by Elizabeth and an extract from Cartn's sustainability report can be found by clicking on the Reference Material button above.

Reference Material

Email | Sustainability Report Extract

From: Mario Baquero, Finance Director
To: Elizabeth Maenda, Senior Financial Manager
Subject: Aluminium-free packaging

Hi Elizabeth,

As you know, we have invested heavily in the development of a new packaging material that will eliminate the use of aluminium from the manufacture of cartons. Our R&D Department is confident that the development will be completed successfully. The new material will reduce our production costs significantly, enabling us to reduce selling prices while still increasing our profits.

The new material will be more sustainable. The elimination of the aluminium will make it easier to recycle used cartons. That has little direct interest to us because we do not sell filled cartons and so we are not directly contributing to the creation of waste packaging. Nevertheless, we should promote the sustainability of our packaging materials in order to obtain the greatest commercial benefit. We should publicise our investment in the development of this new material in the sustainability report for the year ended 31 March 2027 and should disclose sales of the new material in subsequent years.

We should consider encouraging our R&D Department to develop further sustainable products if this material is as commercially successful as we hope.

Regards

Mario

Close

Extract from the sustainability report for the year ended 31 March 2026

Governance	Cartn's Board accepts full responsibility for the sustainability of Group operations. The Director of Product Development has a specific responsibility for the oversight of all strategic matters relating to sustainability and is expected to keep the Board informed of all sustainability-related matters arising from operations and the implications for sustainability of any proposals that are under discussion.
Strategy	Food packaging requires the use of packaging that maintains the freshness of food and protects consumers from contamination. The manufacture and sale of tubs and cartons creates challenges in relation to sustainability: • Cartn's products require the use of paperboard, aluminium and plastic. Sourcing these materials can be inherently unsustainable. • Cartn's products are made from laminated layers of different materials, which can complicate recycling of used packaging. Cartn addresses these concerns to the best of its abilities: • Most of Cartn's tubs use paperboard lids instead of the plastic that was previously used. • Cartn's paperboard is purchased from suppliers who can demonstrate that they source wood in a manner that encourages biodiversity. • Cartn is working on changes that will make its products easier and more efficient to recycle.
Risk management	Cartn has a sustainability committee that comprises senior managers from each functional area. The committee's responsibilities include the preparation and interpretation of routine reports on sustainability. Department heads receive regular sustainability reports on the performances of their departments. They are required to report to the Sustainability Committee if they fail to achieve targets.
Metrics	Cartn has been working on reducing the greenhouse gas emissions associated with its manufacturing processes. The average emissions per carton produced are now 24.0 g CO_2e. That is a significant reduction from the 2015 figure of 35.0 g CO_2e.

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: Aluminium-free packaging

Paragraph



Thank you for completing the Management Case Study Exam.

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

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



Management Case Study Exam

Maximum Time Allowed: 180 minutes

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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

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

Reference Material Pre-seen

You receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: Consultancy proposal

Hi,

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

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

- Firstly, recommend with reasons the decisions that need to be made in establishing a project team to evaluate this proposal.
  [sub-task (a) = 60%]

- Secondly, recommend with reasons an appropriate pricing strategy for the revised consultancy service proposed by Marketing.
  [sub-task (b) = 40%]

Regards

Elizabeth

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

Proposal for extension of consultancy service
Executive summary

Prepared by Polly Wilson, Senior Marketing Manager

There is a strong demand for Cartn's consultancy service. We may, however, be losing revenue because of the limited service that we provide.

At present, we design packaging solutions that integrate with clients' food production lines. We recommend the specific equipment that the clients should purchase from third-party manufacturers and we supply detailed technical plans to assist with installation. We are receiving an increasing number of requests for a more comprehensive service that would take the following form:

- We would design the packaging system as before and would brief the client on the cost of purchasing and installing the equipment required to implement our plan.
- If the client approves our plan, we will approach the suppliers of the equipment required to put the plan into effect. We would be responsible for identifying the specific models of machinery, along with any options or modifications, and placing orders on behalf of the client. The suppliers will invoice the client directly when the equipment is delivered to the client's premises.
- A team of installers employed by Cartn will attend the client's factory once the new equipment has been delivered. The installers will install the equipment, removing any old machinery that is being replaced.
- Our installers will calibrate and test the new packaging equipment and will train the client's production staff in its operation.

The Marketing Department believes that many consultancy clients would pay extra in order to have Cartn take responsibility for liaison with equipment manufacturers and for the installation of the packaging solution.

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: Consultancy proposal

Paragraph

Reference Material Pre-seen

A month later, the proposal to extend the scope of consultancy services is still under consideration.

You receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Consultancy opportunity

Hi,

I have forwarded an email that I received from Polly Wilson, Senior Marketing Manager.

I need your advice on two matters before I meet with Mario Baquero, the Finance Director.

- Firstly, identify and evaluate the operational risks and contractual inadequacy risks that might arise if we provide Luxsoup with the comprehensive service described by Polly.

[sub-task (a) = 40%]

- Secondly, evaluate whether an announcement that Cartn has been awarded the comprehensive Luxsoup contract is likely to increase or decrease Cartn's weighted average cost of capital (WACC).

[sub-task (b) = 60%]

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

From: Polly Wilson, Senior Marketing Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: Consultancy opportunity

Hi Elizabeth,

We have been approached by Luxsoup, one of our biggest carton customers. Luxsoup manufactures high-quality soups that are packaged and sold in our cartons.
Luxsoup needs to replace the production line for making and packaging soup in its Harrland factory. Cartn has been invited to bid for the design, purchase, installation and testing of the factory's packaging section.

Previously, we would have charged H$10 million for an evaluation of Luxsoup's packaging needs and the preparation of detailed plans for the purchase and installation of suitable packaging equipment. We would have had no further involvement in the project. Luxsoup would have used our plans to purchase suitable equipment from suppliers and to brief third-party engineers to install that equipment.

The Marketing Department proposes that we should charge Luxsoup H$22 million for a more comprehensive service:

- We will design a packaging system as before and will advise Luxsoup on the cost of implementing our design.
- Once Luxsoup agrees our plan, we will act as their agent in ordering the necessary equipment. We will place the orders, but the suppliers will invoice Luxsoup directly.
- Luxsoup's maintenance staff will remove the old packaging equipment and a team of Cartn's engineers will install the new equipment. For this initial project, we will use engineers from Cartn's consultancy staff, supported by maintenance staff from our Harrland factory, to carry out the installation.
- Our engineers will check that the new equipment is working properly and will train Luxsoup's factory workers in its operation.

We believe that Luxsoup will pay our proposed fee of H$22 million for this service, in addition to bearing the full cost of the new equipment.

Regards

Polly

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: Consultancy opportunity

Paragraph

Reference Material Pre-seen

Four months have passed. Cartn was awarded the contract to design and install a packaging solution for Luxsoup.

Elizabeth Maenda stops by your workspace:

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

I need you to advise me on two issues.

- Firstly, identify and evaluate the challenges associated with setting transfer prices for the secondment of factory maintenance engineers to the Consultancy Department during the installation phase of the Luxsoup contract. These prices should encourage secondments that would benefit Cartn as a whole.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the ways in which Cartn can motivate and encourage the engagement of factory staff whom it wishes to second to the installation phase of the Luxsoup contract."

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Haitham Amer, Marketing Director, informed the Board that work was progressing well on the design stage of the Luxsoup contract. The plan will soon be ready for submission to Luxsoup. If the plan is accepted, then the next step will be to order the necessary equipment and to install it.

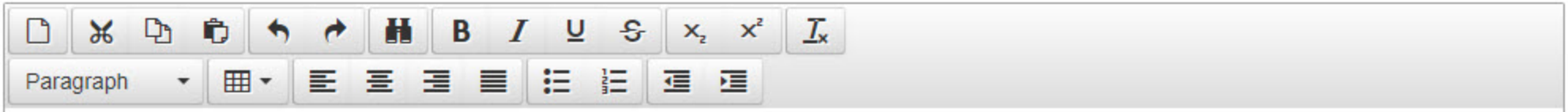
Haitham was concerned that there could be staffing problems on the installation phase of this contract. It had been agreed that installation on the Luxsoup contract would be carried out by maintenance engineers from Cartn's carton factory. It is anticipated that a large number of installation staff will be required. The following problems were emerging:

- Alison Cruikshank, the Operations Director, was reluctant to release production staff to install equipment for Luxsoup. She argued that the Consultancy Department, overseen by Haitham, will benefit at the expense of the Production Department. Both departments are profit centres. She suggested that the Consultancy Department should second its own design consultants.
- Feedback from production staff at Cartn's factory suggests that many of them are reluctant to be seconded to the installation team that will undertake the work at Luxsoup's factory.

The staffing needs of any similar contracts that are undertaken in the future will be met by appointing full-time installation staff who will be based in the Consultancy Department.

Reference Material Pre-seen

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



Reference Material Pre-seen

A month later, you receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Progress update on Luxsoup contract

Hi,

Polly Wilson has provided me with an update on the Luxsoup contract. I have forwarded you her email.

I am keen to hear your thoughts in relation to two matters.

- Firstly, recommend with reasons the accounting treatment of the Luxsoup contract for the financial years ended 31 March 2027 and 2028.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the ways in which the concepts underlying total quality management (TQM) might be incorporated into Cartn's work on Luxsoup's packaging equipment.

[sub-task (b) = 60%]

Regards

Elizabeth

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

From: Polly Wilson, Senior Marketing Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: Progress update on Luxsoup contract

Hi Elizabeth,

Our contract with Luxsoup is proceeding as follows:

Stage	Expected progress
Packaging solution designed and agreed with client.	Already completed
Cartn to order equipment from suppliers. Suppliers to invoice Luxsoup for equipment on delivery.	90% of items ordered before 31 March 2027. Half of ordered items were delivered by that date. Ordering and receipt of outstanding items to be completed in April 2027.
Cartn's engineers to install new equipment after old equipment removed by Luxsoup.	Removal of old equipment scheduled for April 2027. Installation of new equipment will take place in May and June 2027.
Cartn's engineers to check that installed equipment is working properly.	Checks scheduled for July 2027.
Cartn's engineers to provide Luxsoup factory staff with training on operation of new equipment.	Training scheduled for August 2027.

Cartn will rectify any problems associated with the installation of the packaging equipment arising between 1 July 2027 and 30 June 2028. No charge will be made for those repairs.

It is hoped that Cartn will not incur significant additional expense because of the need to rectify errors in installation.

A total of H$22 million will be payable from Luxsoup to Cartn. Of this, work to the value of H$14 million will have been completed and invoiced to Luxsoup by 31 March 2027. A further H$8 million will be invoiced during the year ended 31 March 2028, but Luxsoup will retain H$1 million of that until 30 June 2028 as a retention to ensure that any repairs are completed.

Regards

Polly

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: Progress update on Luxsoup contract

Paragraph



Thank you for completing the Management Case Study Exam.

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

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



Management Case Study Exam

Maximum Time Allowed: 180 minutes

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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).

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

You receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: Fast food containers

Hi,

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

I need your advice on two matters to help prepare me for a meeting with the Finance Director.

- Firstly, evaluate the argument that working with fast food restaurants in the development of these tubs will be consistent with Cartn's business model.

[sub-task (a) = 60%]

- Secondly, evaluate the usefulness of stress testing the vulnerability of fast food restaurants to changes in consumers' economic wellbeing in order to assist in predicting demand for Cartn's new range of tubs.

[sub-task (b) = 40%]

The extract referred to by Elizabeth and a copy of Cartn's business plan can be found by clicking on the Reference Material button above.

Executive Summary Extract | Cartn's Business Model

Proposal for new product range
Executive summary

Prepared by Wofai Eko, Director of Product Development

Cartn sells tubs and cartons. Product Development believes that there could be a significant new market for our tubs.

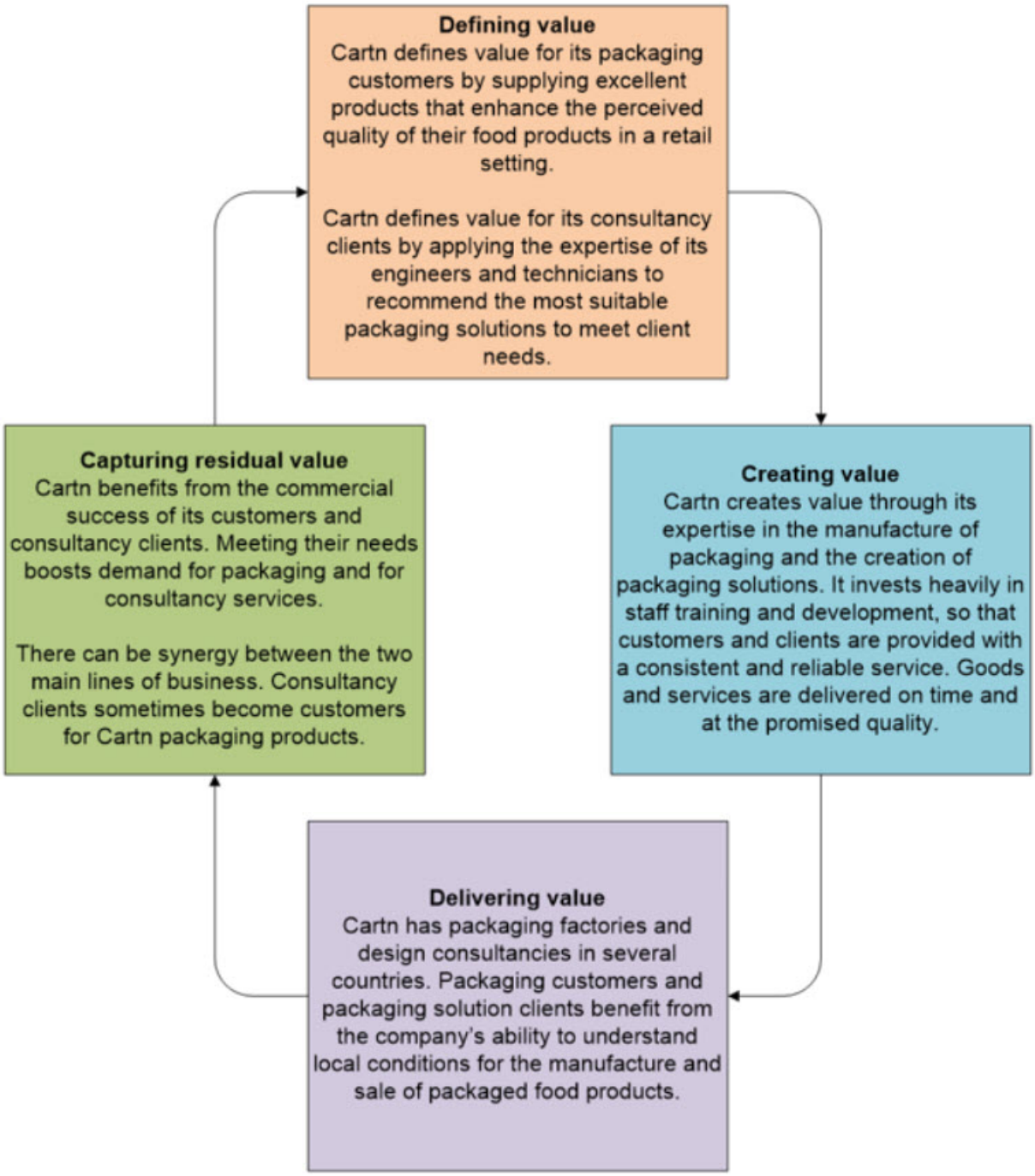
Fast food restaurants sell meals that can be eaten on the premises, taken home or ordered for home delivery. Most fast food restaurants sell simple meals such as burgers or fried chicken. Product Development has discussed the possibility of developing a range of tubs that would enable these restaurants to sell more elaborate dishes, which would be eaten directly from the tub, either in the restaurant or at home.

Each tub would be large enough to contain an individual serving of hot food, such as soup, stew or curry, or cold food such as salad or ice cream. The tubs will have plastic lids that will be designed to make filled tubs stackable. They would be supplied with single-use wooden cutlery.

The tubs and cutlery would be fully recyclable.

The tubs themselves would be slightly different from those that are currently supplied for our traditional customers. The tubs would have to be more rigid to ensure that they did not spill hot food on consumers. The shape would also have to be modified slightly to make it easier to eat from them. We will need to work closely with fast food restaurant businesses to ensure that this product is of interest to them and is designed to meet their needs.

Cartn's Business Model



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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: RE: Fast food containers

Reference Material Pre-seen

A month later, Cartn is still working on the development of a tub for sale to fast food restaurants as a means of packaging meals for consumption in restaurants or at home.

Elizabeth Maenda, Senior Financial Manager, invites you to join her in a meeting room.

"I have brought you an extract from the minutes of this morning's Board meeting. As you can see, Cardboal's founder has requested full-time employment with the company after it becomes a 100% subsidiary of Cartn Group and the necessary funding and authority to continue with her development of product ideas.

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

- Firstly, identify and evaluate the difficulties associated with determining the goodwill that will arise if Cartn proceeds with its acquisition of Cardboal.

[sub-task (a) = 60%]

- Secondly, identify and evaluate the potential conflicts that might arise from granting Cardboal's founder's requests."

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, informed the Board that a company called Cardboal had already designed and patented a similar product to the one that Cartn was considering for development. It will be necessary for Cartn to obtain Cardboal's permission before it can sell tubs with the features that Cartn intends to incorporate into its new tubs for the fast food industry.

The Board discussed different options and concluded that Cartn should consider acquiring 100% of Cardboal's equity. That would give Cartn control of Cardboal's assets, including its patents.

Cardboal is a small manufacturing company that specialises in disposable plates and cutlery for the fast food industry, which it sells to local independent restaurants. It does not have the resources required to expand sufficiently to supply chains of fast food restaurants.

Cardboal owns a small factory and several patents, all of which were developed by the company's founder and were patented in the company's name. Cardboal's founder owns all of the company's equity. She is prepared to exchange her shares for shares in Cartn. She also insists on being retained as a full-time employee of Cardboal, with the necessary funding and authority to continue with the development of further product ideas.

Reference Material Pre-seen

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



Two months later, Cartn continues to work on the development of a new type of tub that can be sold to fast food restaurants. The proposed merger with Cardboal did not occur.

Elizabeth Maenda stops by your workspace:

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

I need you to advise me on two issues.

- Firstly, recommend with reasons the work that Cartn should undertake to re-engineer its production process to enable the manufacture of the new tubs for sale to Meelreddy.

[sub-task (a) = 60%]

- Secondly, evaluate the contractual inadequacy risks arising from Cartn agreeing to supply Meelreddy with this new tub and recommend with reasons ways in which Cartn might mitigate those risks."

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, informed the Board that a prototype of the new tub has been created and demonstrated to several fast food companies. Three hundred copies of the new tub have been made in the Product Development Department's laboratory.

Haitham Amer, Marketing Director, informed the Board that sales staff had demonstrated the new design to three fast food companies, all of whom had expressed an interest in the design. One in particular, Meelreddy, plans to launch a range of soups for consumption in its restaurants and for takeaway sales. Meelreddy believes that Cartn's new tub would be the ideal way to package those soups. The tub's design should enable customers to carry their soup safely and should keep it hot enough to take home to eat.

Alison Cruikshank, Operations Director, expressed concern that the prototype tubs were different from those that Cartn currently mass produces. The prototype tubs are both wider and shallower and are made from much thicker paperboard, with four layers of plastic instead of the three layers in existing products.

Haitham Amer informed the Board that Meelreddy had placed a large order for the new tubs, with the first batch to be delivered in 2 months.

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, informed the Board that a prototype of the new tub has been created and demonstrated to several fast food companies. Three hundred copies of the new tub have been made in the Product Development Department's laboratory.

Haitham Amer, Marketing Director, informed the Board that sales staff had demonstrated the new design to three fast food companies, all of whom had expressed an interest in the design. One in particular, Meelreddy, plans to launch a range of soups for consumption in its restaurants and for takeaway sales. Meelreddy believes that Cartn's new tub would be the ideal way to package those soups. The tub's design should enable customers to carry their soup safely and should keep it hot enough to take home to eat.

Alison Cruikshank, Operations Director, expressed concern that the prototype tubs were different from those that Cartn currently mass produces. The prototype tubs are both wider and shallower and are made from much thicker paperboard, with four layers of plastic instead of the three layers in existing products.

Haitham Amer informed the Board that Meelreddy had placed a large order for the new tubs, with the first batch to be delivered in 2 months.

Reference Material Pre-seen

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



Two months later, Cartn has delivered its first batch of fast food tubs to Meelreddy. Meelreddy will use those tubs to sell soup for consumption in its restaurants and for take home consumption.

You receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: Soup spillage

Hi,

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

Meelreddy claims that it will cost up to H$10 million to settle the injured customer's claim. They expect Cartn to reimburse them for any such payment. Meelreddy also intends to spend H$50 million on an advertising campaign that will both promote the quality of its soup and will educate consumers on the safe use of these new tubs. Again, they expect Cartn to reimburse that cost.

Cartn's Legal Department has advised the Board that there is no valid claim against Cartn for the H$10 million sought for compensation for the customer's injury. There is a possibility that the courts could force Cartn to pay between H$5 million and H$25 million towards the cost of the advertising campaign. These claims will not be settled before the financial statements for the current financial year which will end on 31 March 2027 have been finalised. Cartn has written to Meelreddy, stating that it will make a payment of H$3 million as a partial payment towards Meelreddy's costs, to be paid in April 2027.

Meelreddy has cancelled its order for any further deliveries of tubs from Cartn. Cartn's Harrlandian factory has an inventory of unprinted tubs that cost H$60 million to manufacture and that it had intended to sell to Meelreddy for H$90 million. Cartn's Southlandian factory has a potential customer for these tubs and has offered H$6 million for them. The Harrlandian factory has refused that offer. Both factories are profit centres.

I am keen to hear your thoughts in relation to two matters.

- Firstly, recommend with reasons the accounting treatments in the financial statements for the year ended 31 March 2027 of the claims made against Cartn by Meelreddy and of the H$3 million to be paid by Cartn.

[sub-task (a) = 60%]

- Secondly, identify and evaluate the difficulties associated with setting transfer prices for these tubs that would encourage internal sales in order to benefit Cartn as a whole.

[sub-task (b) = 40%]

The news report referred to by Elizabeth can be found by clicking on the Reference Material button above.

Harrland Daily News

Meelreddy customer burned by soup



An angry customer has accused Meelreddy, the fast food restaurant chain, of selling a dangerous product. He claims to have been injured while eating a tub of soup while sitting in his parked car.

The customer was eating his soup when he decided to make a call on his mobile phone. His soup spilled over his legs when he reached for his phone. He blames Meelreddy for selling a dangerous product. "The soup came in a tub that had a secure plastic lid, but there was nothing to keep the soup in the tub once the lid was removed". The customer admits that the soup was cooling down by the time of the spill, but he claims to have suffered emotional damage because of the accident.

A spokesperson for Meelreddy commented that the tubs in which it sells its soups are printed with a warning that the contents are hot. The safety warning also advises customers not to open their soup unless they are seated at a table.

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: RE: Soup spillage

Paragraph



Thank you for completing the Management Case Study Exam.

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

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



Management Case Study Exam

Maximum Time Allowed: 180 minutes

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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).

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

Reference Material Pre-seen

Elizabeth Maenda, Cartn's Senior Financial Manager, stops by your workspace:

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

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

- Firstly, identify the three main stakeholders in Cartn's decision to proceed with this proposal and evaluate the challenges associated with understanding their interests.

[sub-task (a) = 60%]

- Secondly, evaluate the challenges associated with deciding whether Cartn's investment in the recycling centres would have a positive net present value (NPV)."

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, reminded the Board that the local government responsible for each town or city in Harrland is responsible for the disposal of household waste in its area. Those local governments are also responsible for the recycling and repurposing of waste products.

There is very little consistency between Harrland's local governments in relation to the recycling or repurposing of cartons. It has been estimated that 95% of cartons are dumped in landfill sites because of a lack of recycling facilities. The 5% that are recycled are dismantled using specialised machinery. The paperboard that forms the bulk of the cartons is pulped and reconstituted as clean paperboard. The plastic and aluminium layers are left combined and are processed to create an ingredient that can be used to make cement, an important building material.

Wofai Eko, in her role as Head of Sustainability, proposes that Cartn should invest in the construction of carton recycling plants in Harrland. Local governments would collect all used cartons separately from other waste. Cartn would collect these cartons from local government sites, regardless of the cartons' manufacturer, and would transport them to its new recycling plants. Cartn would sell the materials extracted from the cartons and would keep the proceeds.

The Board agreed to consider this proposal.

Reference Material Pre-seen

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

Reference Material Pre-seen

A month later, you receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: Recycling centres

Hi,

I have been asked to join a project team that will make recommendations to the Board in relation to the proposed construction of carton recycling centres.

I have attached a working paper that I prepared to brief the team.

I need your advice on two matters before the first team meeting.

- Firstly, evaluate the impact of the constraints of time, cost and quality that the Board should set for the project team's work.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the use that the project team should make of target costing in deciding on the investment of carton recycling centres.

[sub-task (b) = 60%]

The working paper referred to by Elizabeth can be found by clicking on the Reference Material button above.

Factors associated with establishing a network of carton recycling centres:

Table 1

Percentage of used cartons to be recycled	Number of centres required
100%	78
50%	27
20%	11

Table 2

Percentage of carton materials to be recovered (by weight) by available types of recycling centre	Initial construction cost per centre
Large centre – 85%	H$90 million
Medium centre – 70%	H$68 million
Small centre – 55%	H$46 million

Table 1 shows that recycling 100% of used cartons would require a disproportionate number of recycling centres because of the need to service lightly populated areas.

Table 2 indicates that larger and more effective recycling centres can recover higher proportions of materials from recycled cartons, although there is an additional cost associated with doing so.

It is unlikely that any combination of number of centres and centre sizes will yield positive annual cash flows based on offsetting the revenue from the sale of recovered materials against operating costs.

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: RE: Recycling centres

Paragraph

Two months later, the network of carton recycling centres is still being planned.

Elizabeth Maenda stops by your workspace:

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

I need you to advise me on two issues.

- Firstly, advise the Board on the risk of poor demand for this furniture, the operational risk associated with Cartn's role in the joint venture and the contractual inadequacy risk that the agreement with Dence does not cover every outcome.

[sub-task (a) = 60%]

- Secondly, recommend the accounting treatment of Cartn's investment in the joint venture and of its first few months trading during the accounting period ended 31 March 2027."

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, informed the Board that she had been approached by her counterpart at Dence Furniture ("Dence"), a manufacturer of office furniture. Dence has developed a technique for the conversion of scrap plastic into a material that is suitable for desktops and shelves. Dence cannot proceed with this new product until it has obtained a reliable and consistent source of scrap plastic. It has identified the plastic waste from Cartn's proposed carton recycling centres as being suitable.

Dence proposes establishing a joint venture with Cartn, with equal ownership. Cartn will supply scrap plastic and Dence will provide the necessary technical expertise to convert the scrap into usable plastic and to design products. Cartn and Dence will share the cost of establishing the joint venture as a viable business, including all necessary property, plant and equipment and sufficient working capital to commence production. All profits and losses will be shared equally.

The Board agreed to proceed with the establishment of this joint venture with Dence.

Reference Material Pre-seen

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



A month later, Cartn's joint venture with Dence is now operational.

You receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Scrap plastic from carton recycling

Hi,

I have forwarded an email from a senior manager in Product Development.

I am keen to hear your thoughts in relation to two matters.

- Firstly, recommend with reasons the treatment of Cartn's sale of scrap plastic in the integrated report, under the headings of manufactured capital, social and relationship capital and natural capital.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the pricing strategy that Cartn should adopt for sales of scrap plastic.

[sub-task (b) = 40%]

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

From: Brendan Dineen, Senior Manager in Product Development
To: Elizabeth Maenda, Senior Financial Manager
Subject: Scrap plastic from carton recycling

Hi Elizabeth,

We have had some interesting reactions to the first few batches of the office furniture that we have been making in our joint venture with Dence. Several potential buyers have expressed interest in buying our scrap plastic, which they will convert into their own material. The mixture of plastic and aluminium has properties that make it suitable for a wide range of applications that we had not considered previously.

We have an almost unlimited supply of scrap plastic because we can open additional recycling centres very quickly and vast numbers of cartons are thrown away every day. Our agreement with Dence does not require us to sell exclusively to them. Dence will not be involved in any sales of scrap plastic to third parties.

Regards

Brendan

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: RE: Scrap plastic from carton recycling

Paragraph



Thank you for completing the Management Case Study Exam.

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

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



Management Case Study Exam

Maximum Time Allowed: 180 minutes

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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).

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

Reference Material Pre-seen

Elizabeth Maenda, Cartn's Senior Financial Manager, asks you to join her in a meeting room:

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

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

- Firstly, recommend with reasons the factors that Cartn should consider when setting the strategy for pricing these new tubs.

[sub-task (a) = 60%]

- Secondly, recommend with reasons whether the leader of the project team that will be responsible for the completion of the work on the new tubs should be from a finance, marketing or product development background."

[sub-task (b) = 40%]

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

Proposal for new tub design
Executive summary

Prepared by Brendan Dineen, Senior Manager in Product Development

The plastic tubs that we sell for packaging butter and non-dairy spreads represent one of our most important product ranges. Several major food manufacturers use our tubs to package their butters and spreads.

Butter and spread manufacturers use plastic tubs for these products because they are strong enough to withstand the frequent opening and closing associated with consumption. It is possible to recycle plastic tubs, but recycling rates are low. Consumers are often reluctant to put these tubs in their recycling bins because they are often unsure how to recycle different types of plastic. Plastic that is not recycled usually ends up in landfill, where it takes centuries to decompose.

Attempts to replace plastic tubs with paper have proved unsuccessful. Paper is less robust, which often leads to leakage after the lid has been removed and replaced a few times. Consumers complain about mess and wasted food. Paper tubs also require plastic coating, both inside and out, which makes them difficult to recycle.

Cartn's development staff have developed two new materials. The first is a packaging material made from paper fibre. This material is strong enough to make packaging for butter or spread that is as robust as plastic when moulded into tubs. The second material is a coating that has similar characteristics to plastic when used as a coating but is extracted from wood pulp.

Tubs made from these new materials will be 100% recyclable as wastepaper. Consumers can wash out any food residue before putting them in their recycling bins and the tubs can be recycled into paper. Any tubs that are not recycled will biodegrade relatively quickly in landfill, causing very little damage to the environment.

The development staff have successfully created prototypes of the new tubs under laboratory conditions. Initial estimates suggest that they will cost slightly less to manufacture than the plastic tubs that Cartn currently produces.

Reference Material Pre-seen

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

Reference Material Pre-seen

A week later, you receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: Luxsoup proposal

Hi,

I have attached an extract that I received from Mario Baquero, the Finance Director.

Mario plans to recommend establishing a project team to develop these new tubs.

I need your advice on two matters before I meet with Mario.

- Firstly, recommend with reasons the performance indicators that could be reported on a monthly basis to enable Cartn's Board to track the project team's progress.

[sub-task (a) = 60%]

- Secondly, evaluate Alison Cruikshank's concern that there is a high likelihood that the product will fail and that any failure will have a significant negative impact on Cartn.

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, briefed the Board on the development of the new recyclable tubs for the packaging of butter and non-dairy spreads. The new tubs will be made from paper fibre with a coating extracted from wood pulp. She believes that Harrland's government will soon ban the use of plastic tubs because of the very low proportion that are recycled.

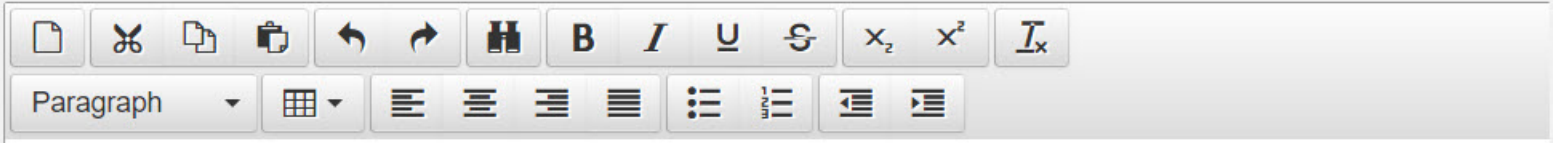
Mario Baquero informed the Board that he had forecast the cash flows associated with the new tubs and had calculated the net present value of the project. These cash flows had a positive net present value when discounted using a cost of capital that took account of the product's characteristics. Mario recommended that the Board should establish a project team to develop these new tubs. It will cost H$5 million to complete the development work.

Most Board members were supportive of the proposal to proceed with the development of the new tubs. Alison Cruikshank, Operations Director, expressed concern that there was a high likelihood that the product will fail and that failure would involve a significant negative impact on Cartn. She recommended that the product should be abandoned.

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: RE: Luxsoup proposal



Reference Material Pre-seen

Two months have passed. Cartn's Product Development Department has made good progress in the development of the new tubs that are intended for sale to customers who need to package butter and non-dairy spread.

Elizabeth Maenda stops by your workspace:

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

I need you to advise me on two issues.

- Firstly, advise the Board on the effect that the volatility in the currencies of the new subsidiaries will have on Cartn's financial statements and their interpretation.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the basis that should be used for setting transfer prices for sales of paper fibre and coating from the foreign subsidiaries to the Harrlandian subsidiaries that will use those materials to manufacture tubs. All subsidiaries are profit centres."

[sub-task (b) = 40%]

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

Extract from minutes of Board meeting

Wofai Eko, Director of Product Development, informed the Board that the development work on the new tubs is nearing completion. Prototypes have been shown to potential customers, who have generally been positive. Most demand will be from customers based in Harrland, who will be supplied by Harrlandian subsidiaries.

The Board is considering the acquisition of three new subsidiaries, each of which is in a different country with its own currency. These subsidiaries are located in countries that have forestry industries that could support the manufacture of the materials needed for the tub design. Each subsidiary has a factory that makes high-quality paper fibre. If the acquisition is completed, Cartn will equip each factory with additional machinery to make the coating from wood pulp. The paper fibre and wood pulp will be transferred to Harrlandian subsidiaries, who will use these materials in the manufacture of tubs. The total cost of the investments in the subsidiaries and their additional machinery has been estimated at H$150 million.

The currencies of the three subsidiaries' host countries are volatile in relation to the H$.

Reference Material Pre-seen

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



Reference Material Pre-seen

Three months later, you receive the following email:

From: Elizabeth Maenda, Senior Financial Manager
To: Financial Manager
Subject: FWD: Launch of new tubs

Hi,

I have forwarded an email from a senior manager in Product Development.

I am keen to hear your thoughts in relation to two matters.

- Firstly, recommend with reasons the manner in which Cartn should reflect the new tubs under intellectual capital, social and relationship capital and natural capital in the integrated report.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the ways in which Cartn should mitigate the product reputation risk and the contractual inadequacy risk associated with the launch of the new tubs.

[sub-task (b) = 40%]

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

From: Brendan Dineen, Senior Manager in Product Development
To: Elizabeth Maenda, Senior Financial Manager
Subject: Launch of new tubs

Hi Elizabeth,

We have completed work on the development of the process for the manufacture of the materials for our new tubs. We are due to start shipping the new tubs in a month.

The Cartn factories that will make the tubs are currently training their production staff to operate the new manufacturing equipment and to understand the quality control processes that are associated with checking that the new tubs will meet their customers' needs. Quality problems could lead to the contents of tubs leaking, which will annoy consumers.

We need to make sure that the manufacturers who will buy these tubs use them properly when packaging their products. The new tubs should be as strong as the plastic tubs that they are replacing, but they need to be handled differently when they are being filled.

Regards

Brendan

Reference Material Pre-seen

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

From: Financial Manager
To: Elizabeth Maenda, Senior Financial Manager
Subject: FWD: RE: Launch of new tubs

Paragraph



Thank you for completing the Management Case Study Exam.

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

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

Management Case Study Examination

May – August 2026 – VARIANT 1

EXAM ANSWERS

Contents

Variant 1 3
TASK 1 4
Sub-task (a) 4
Sub-task (b) 4
TASK 2 6
Sub-task (b) 6
TASK 3 8
Sub-task (a) 8
Sub-task (b) 8
TASK 4 10
Sub-task (a) 10
Sub-task (b) 10

Variant 1

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

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

TASK 1

Sub-task (a)

Business model

Cartn will aim to define value by offering a high-quality product in terms of the ingredients in the meal kits and in their presentation. Luxsoup will rely on Cartn for the design and manufacture of packaging that complements the food, ensuring that the ingredients reach the consumer in good condition. The design of the packaging will have to maintain the food at an acceptable temperature for the duration of its shipping. Cartn has experience of making and printing tubs. This assignment will require only a small number of different sizes of tub.

Cartn will create value through the creation of a packaging solution for this new range of meals. Luxsoup's new product creates significant challenges because the nature of the meal kits makes it impossible to package them mechanically. The packaging will have to allow for efficient handling so that Luxsoup's staff can prepare meal kits for despatch quickly and at an acceptable cost. Cartn's consultancy experience should assist in the development of this unusual packaging solution.

Cartn will deliver value through its ability to meet Luxsoup's specific needs. This may be complicated by the fact that Luxsoup is launching a new product range and so might be unable to offer a great deal of guidance on its packaging needs. Cartn's past experience should enable it to rise to the challenge of creating a packaging solution for a new and unique product. That should make it possible to present Luxsoup with a viable solution to the packaging needs associated with the Luxdinner meal kits.

This is a potentially valuable contract and so it should be possible for Cartn to capture significant residual value. Cartn will benefit from a consultancy fee, supplemented by ongoing sales of packaging. There could be a concern in relation to Luxsoup's desire to have Cartn bear the cost of designing the packaging itself, which might reduce the total profit that is available. The design of the tubs and boxes should, however, be the least valuable aspect of this work. There should be plenty of revenue to be earned from the sale of the packaging once the design work has been completed.

Sub-task (b)

Project team priorities

Arguably, the immediate priority is to ensure that Cartn can deliver a viable packaging solution that will be acceptable to Luxsoup because it will be impossible for Cartn to earn meaningful revenue unless it can design this system and make the associated tubs. The project team need not complete the consultancy work on the new system or the design work on the packaging, but it should determine whether the challenges associated with this project can be overcome. If a viable solution can be developed, then it can be shared with Luxsoup at an early stage, which should ensure that Cartn is offered a contract to proceed

with the project. Providing Luxsoup with an early indication of the plan for the new system should also enable the client to get started on planning the layout of its production facility, which will benefit both parties. It would be reassuring for Cartn to see Luxsoup make a commitment to the meal kit product.

Resolving the technical issues associated with the packaging will assist Cartn to evaluate the commercial benefits. It will be easier for Cartn to check that the new cartons can be made at a profit if it has a better understanding of the form that the cartons will take, including the manner in which they will be filled and sealed. If the project team starts with the commercial side, then they will probably have to make assumptions about the technical issues that will arise. Those assumptions may be less accurate than the initial steps that will be taken in the design process to eliminate technical problems. Starting with the commercial issues might make it necessary to seek assistance from Luxsoup, who may be reluctant to provide Cartn with detailed estimates at this stage.

TASK 2

Business risks

Commodity price risk might be mitigated by seeking materials with less volatile prices for the manufacture of these tubs. Cartn could work with Luxsoup to identify replacement plastics that are less prone to price changes. It may be possible to negotiate a contract that will require Luxsoup to bear any additional costs associated with rising materials prices. Luxsoup may be prepared to accept such a condition in order to ensure that it has a stable source of tubs for its new meal kits. Finally, Cartn might consider stockpiling the material required to make these plastics when prices are low.

Cartn could start by seeking an indication of Luxsoup's understanding of the market for the meal kits. Ideally, Luxsoup will be able to furnish Cartn with market research that will indicate whether there is likely to be steady demand for the new product. Alternatively, Luxsoup could be asked to protect Cartn by agreeing to purchase a minimum quantity of the new tubs on a monthly basis for, say, the first year after the launch. Agreeing to such terms would demonstrate Luxsoup's confidence in demand and would also protect Cartn from the effects of poor demand for the meal kits during the initial period after the product launch. Cartn could consider insisting on being free to supply rival meal kit manufacturers, in addition to Luxsoup. The ability to do so would mean that there would be additional sources of demand for these tubs.

The wording of the contract with Luxsoup should be studied carefully by Cartn's lawyers. There should be clarity concerning Cartn's rights under the contract, in particular with regard to its position as sole supplier of tubs and packaging. These rights should be enforceable, perhaps by specifying compensation that will be payable in the event that Luxsoup breaches the terms. The contract should also allow for potential contingencies, such as interruptions in production due to unforeseen circumstances. That will clarify Cartn's responsibilities in the event of any difficulties in servicing this contract.

Sub-task (b)

Features of borrowing

Borrowing is usually cheaper than equity as a means of raising finance. Lenders have greater security and so expect a lower rate of return than shareholders. There is also tax relief on loan interest. Cartn has sufficient profit to offset the whole of the additional interest that will be payable and so it will benefit from the relief. The only concern is that the borrowing will increase gearing and make Cartn appear to be a more risky investment. The increase from 154.3/(386.4+154.3) = 29% to (154.3+80.0)/(386.4+154.3+80.0) = 38% is quite a significant increase.

Borrowing would avoid the significant administrative costs and professional fees associated with issuing additional shares. It will cost less to negotiate a loan from a commercial bank than it will to raise H$80 million by means of a rights issue. Having said that, the H$80 million is large enough in relation to existing equity to justify that additional expense.

Borrowing the amount will reduce Cartn’s flexibility in relation to obtaining loans for any further projects that it considers. The one major administrative benefit of debt in this context is that the H$80 million will be raised more quickly through a loan, which will allow production to get started.

TASK 3

Sub-task (a)

Accounting implications

The main implication is that the H$35 million might not be classified as development in the financial statements for the year ended 31 March 2027, which means that the cost will have to be written off as an expense. The expenditure will have to be classified as either research or development in accordance with the requirements of IAS 38 *Intangible assets*. If the expenditure is to be classified as development, then it will have to satisfy a number of criteria, including the ability to use the results of the development and be able to rely on future economic benefits. Any threat by Luxsoup to withdraw from the contract will prevent Cartn from capitalising the cost. In that case, the H$35 million will have to be written off as an operating expense in the statement of profit or loss for the year ended 31 March 2027.

Luxsoup's position will be clarified during the year ended 31 March 2028. Hopefully, it will commit itself to honouring the contract. In that case, Cartn will continue with the development of the new packaging and will incur a further cost of H$45 million. No adjustment will be made in relation to the H$35 million written off during the year ended 31 March 2027. The remaining cost will be capitalised as an intangible asset and will be amortised over the expected life of the product. If Luxsoup withdraws from the contract completely, then the expenditure incurred during the year ended 31 March 2028 will be written off, although it is to be hoped that Cartn will cease work before that full cost is incurred.

Sub-task (b)

Opportunity cost

The first challenge is that the design staff at these overseas offices could already be engaged in work for local clients. Withdrawing them from ongoing contracts could delay their completion and could cause a loss of business. In the longer term, that could lead to reputational damage, which could cost the design offices future assignments. These potential losses will be difficult to quantify. It might be possible to deal with any delays by paying the overtime to the remaining members of design teams to enable them to catch up. Alternatively, the opportunity cost could be close to zero if the staff being seconded would otherwise have been only partly employed on chargeable work.

It could be difficult to estimate the length of secondments if the Product Development staff are seeking expert design staff for specialised support. The project team will not necessarily know how long it will take to provide the support they require because of the specialised nature of the work. It will be difficult to determine the opportunity cost of a secondment if it is unclear how long that secondment will last. The management teams of the design offices may be tempted to exaggerate the potential opportunity cost in response to this uncertainty. Alternatively, the secondment could be arranged for a specific amount of time rather than a target in terms of work that must be completed before the expert is released.

There could be motivational issues which could prove costly to the design offices that are seconding staff. Staff may be reluctant to be seconded, which could lead to a loss of morale for any staff who are required to participate against their wishes. Alternatively, there could be accusations of favouritism if staff who would have wished to participate are not offered the opportunity to go to Harrland. These opportunity costs could be unpredictable and difficult to quantify. For example, chargeable hours could be lost because of staff taking sick leave. In extreme cases, staff could be lost due to resignation if these secondments provoke strong negative feelings.

TASK 4

Sub-task (a)

Balanced scorecard

The learning and growth perspective focusses on its people and its procedures. One goal would be to reduce staff losses by tracking resignations. The argument would be that staff losses reflect poor morale and demonstrating that staff are motivated to stay would indicate that morale is improving. Another goal might be to ensure that information systems are up to date and that design staff can share information efficiently. A specific goal might be to establish whether all staff have access to the hardware and software required to share information and have been trained in the operation of those systems.

The customer perspective focusses on customer satisfaction and loyalty. It reflects the ability of the Product Development Department to meet customer needs and expectations. One goal might be to report the number of development projects commenced in a quarter. Undertaking more contracts will indicate that customers are confident in Cartn's ability to deliver a unique and tailored solution to their packaging needs. A related goal would be to increase the percentage of bids that result in signed contracts. Winning a contract implies that the Product Development Department has understood the customer's needs.

The financial perspective deals with financial performance. It reflects the ability to manage and improve profits. One goal would be to improve the management of product costs. That is important for Product Development because the Luxsoup project costs exceeded the budget by 50%. The causes of any overspends should also be tracked carefully. For example, this project suffered badly because of the manufacture of an excessive number of failed prototypes.

The internal business process perspective focusses on the procedures that are in place for the management of resources. One goal would be to demonstrate that processes and procedures are relevant to the business. Product Development would benefit from establishing a more effective procedure for planning new projects. It set an unrealistic plan for the Luxsoup project, accepting the contract without first estimating the staffing requirements. The effectiveness of this procedure could be evaluated through variance analysis in terms of resources consumed by different projects. The causes of variances could then be fed back into the process in order to seek improvements that will enable greater accuracy in relation to future projects.

Sub-task (b)

Integrated report

Intellectual capital includes any intellectual property that Cartn has created. The first matter that should be considered is whether there are any patents or trademarks relating to the product or its features that belong to Cartn. Any such properties can be described, with an indication of the commercial benefits that they will provide.

The integrated report should also set out the organisational capital that Cartn now enjoys because of knowledge gained from this project. Cartn has developed an approach to packaging that can be used to deliver food products that do not require refrigeration for courier delivery. It has also developed a means of packaging products that are not being mass produced. This knowledge will undoubtedly have other applications that can benefit the company in dealing with future customers.

The new packaging has created a further relationship with Luxsoup that will benefit both companies. Luxsoup has created a new product range that relies on Cartn's packaging for all sales. Cartn's new packaging would have little or no value to it unless it had a customer such as Luxsoup to place frequent orders. The relationship between the two companies is valuable to both because of the need to maintain an impression of quality in terms of the ingredients and their packaging. The fact that both collaborated suggests the creation of a new form of relationship. Previously, Cartn provided generic packaging. This joint product would have helped create a deeper and potentially more lucrative relationship for both parties, which could be reflected in the integrated report.



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May – August 2026 – VARIANT 2

EXAM ANSWERS

Contents

Variant 1 3
TASK 1 4
Sub-task (a) 4
Sub-task (b) 4
TASK 2 6
Sub-task (a) 6
Sub-task (b) 6
TASK 3 8
Sub-task (a) 8
Sub-task (b) 8
TASK 4 10
Sub-task (a) 10
Sub-task (b) 10

© CIMA 2026. No reproduction without prior consent

Variant 1

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

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

© CIMA 2026. No reproduction without prior consent

TASK 1

Sub-task (a)

Negotiating settlement

The first step would be for Cartn to consider the interests of the two parties to the negotiation. Both Cartn and Harzon Juice will wish to settle matters quicky and discreetly in order to minimise the reputational damage that the defective packaging will cause. Harzon Juice may have more to lose because consumers will be aware of the recall that will be clearly associated with the Harzon Juice brand. Consumers are unlikely to know who supplies the packaging for their favourite products and so it could be argued that Cartn has less to lose in terms of brand reputation. Harzon Juice is likely to require some compensation from Cartn, but it is likely to accept a realistic offer in the hope of avoiding court action, which could lead to adverse publicity associated with it selling an impaired product.

Cartn should prepare a detailed justification for the figures in its estimates in the hope that it can present a realistic offer to Harzon Juice. If it can justify its estimate of H$25 million for out-of-pocket expenses incurred by Harzon Juice, then it might be sensible to lead with that figure, presenting its reasons. Offering an unrealistically low initial offer or allowing Harzon Juice to make the opening offer could lead to both parties becoming entrenched. There is a similar argument in relation to the reputational damage. If Cartn can justify a zero settlement, based on precedent in similar cases, then it might be possible to persuade Harzon to agree to a small settlement, probably less than the H$11 million payment indicated by Cartn's lawyers. If Cartn takes the initiative and appears to be fair, then it may be possible to persuade Harzon Juice to accept a realistic offer, even if it wishes to obtain more.

Cartn should seek a mutually acceptable closing position, looking beyond the compensation payment itself. There is no benefit to either party from reminding consumers that the two companies were involved in the sale of defective juice cartons. Any settlement should be subject to a nondisclosure agreement so that neither Cartn nor Harzon Juice is made to appear responsible for the sale of a tainted product. The ongoing relationship between the two parties should also be considered and incorporated into the closing phase of the negotiation. Ideally, Harzon Juice will continue to purchase packaging materials from Cartn, subject to public assurances that product quality will be a priority for both companies.

Sub-task (b)

Accounting treatment

The claim against Cartn should be accounted for in accordance with the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets.* The H$40 million claim for the expenses incurred in the recall cannot be provided for in Cartn's financial statements because a provision would require a reliable estimate of the amount of the obligation.

© CIMA 2026. No reproduction without prior consent

Harzon Juice has asked for H$40 million, while Cartn's best estimate of the cost is H$25 million. The difference of H$15 million between those two figures is a material amount in comparison to the Cartn Group's revenue and operating profit, so there is no reliable estimate. This part of the claim should be accounted for as a contingent liability on the notes to Cartn's financial statements. The shareholders should be informed that there is a potential liability that could be as much as H$40 million, so that they can take that uncertainty into account while interpreting the financial statements.

The claim for H$180 million in relation to reputational damage is complicated by the fact that Cartn's lawyers do not believe that any court action in relation to this claim will succeed. Even the potential payment of H$11 million is only a "small possibility". In that case, IAS 37 does not require any disclosure, even as a contingent liability. Informing the shareholders of this claim would potentially prove misleading because it would overstate the likelihood of a claim. The only possible exception would be if Cartn had created a constructive obligation by offering Harzon Juice a small settlement as part of its negotiation.

© CIMA 2026. No reproduction without prior consent

TASK 2

Sub-task (a)

TQM

It could be argued that this case implies a lack of commitment to quality by the production staff. There should be a procedure for shift changes, with the supervisor from each incoming team receiving a briefing from the outgoing supervisor to ensure that any maintenance issues are passed on. Such a briefing should include any concerns about quality, such as the possibility that the first 100 units from the machine should be discarded. In this case, the maintenance engineers clearly expected a problem with the first few units of output, which should have been flagged more effectively. There should also be a more effective means of recording problems with the equipment, such as maintenance log to be completed by the maintenance staff. The log should highlight any instructions for operating staff.

The production staff should have taken more rigorous steps to check the quality of the initial output from the production line after a machine stoppage. Irrespective of any instructions or warnings, production staff should check the initial output at the commencement of any production run to check that the correct materials are being created and that they are of a satisfactory quality. Regardless of the recent intervention by maintenance staff, there will always be risks that incorrect graphics files are being used or that the wrong materials have been loaded. Production staff should be aware of the circumstances that increase the risk of substandard output and they should respond with targeted quality inspections. It appears that there was a rush to recommence production, perhaps in order to make up for lost output due to the closure of the production line. If that was the case, then it was unacceptable to do so at the cost of quality.

The senior manager in charge of product quality appears to take a rather casual approach to quality. Despatching 70 sheets of defective laminate was sufficient to create a significant problem for Cartn. It is inappropriate to argue that the number of defective sheets was small in relation to total output. In particular, the quality issue did not arise at the global level for Cartn. Rather, it was a localised problem that should have been addressed by local production staff. All staff have a responsibility to manage quality within their area of operation. It is unacceptable for a manager in charge of product quality to argue that quality failures can be justified on the basis that there are relatively few of them.

Sub-task (b)

Difficulties in setting performance measures

Cartn may not always be able to track quality failures because of the ways in which products are handled after their manufacture. Customers convert sheets of laminate into cartons and may not recognise that any problems with the finished product is attributable to Cartn. They may blame their own production staff. Similarly, problems with packaging might not become apparent unless a consumer complains about a product and returns it to the retailer.

© CIMA 2026. No reproduction without prior consent

Presumably, that is how the problem with the cartons for Harzon Juice was discovered. Consumers might simply have discarded the affected juice.

It may be necessary to track the department's performance using secondary measures that relate to maintaining quality rather than offering a direct measure of successful quality management. For example, it might be helpful to track the provision of staff training on TQM and level of investment in quality circles in order to demonstrate that staff are capable of identifying and responding to threats to quality. That expenditure cannot, however, guarantee that quality is being maintained.

Reported quality failures may have to be investigated to confirm that there was a problem that can be attributed to Cartn. For example, consumers might complain that milk packaged in Cartn cartons has gone off. The problem with the milk could, however, be due to a lack of refrigeration during transportation or storage. Cartn will not have the information required to track any such issues in the event that a carton is returned with a complaint about its quality.

© CIMA 2026. No reproduction without prior consent

TASK 3

Sub-task (a)

Cash flows

Customers may be reluctant to commit to cartons made from the new material, which could mean that Cartn is at risk of losing revenue if it proceeds. The material appears to have relatively little direct benefit over the laminates, other than the elimination of the aluminium layer. The new material will be slightly cheaper to make, but there is no guarantee that customers will be prepared to tolerate the risk of disruption to their production for the sake of a small cost saving. Cartn will have to address this risk by approaching existing customers and demonstrating the new material, seeking feedback. It may be possible to agree a way forward for the material, perhaps by persuading customers that the removal of the aluminium will offer perceived health benefits.

The manufacturing costs will be difficult to predict because of the need to commit to regular orders from manufacturers of the wood fibre. Placing too small an order will restrict Cartn's production, which could prove to be a false economy. Ordering more than is actually needed will leave Cartn paying for excess material that will have to be stored until a use can be found for it. If Cartn wins new business, then it may prove expensive to persuade wood fibre suppliers to increase production because they may not have access to the necessary raw materials to meet Cartn's needs. They may have to pass any additional costs on to Cartn in order to cope with increased orders.

Suppliers might be in a strong position to demand price increases once Cartn modifies its production equipment and so becomes dependent on the suppliers for its wood fibre. Once the equipment has been modified, it will be necessary to return it to its original condition in order to revert to traditional laminate made from paperboard and aluminium. The cost of the modifications and the cost of working with the new material are still unknown. Even if Cartn has created test batches and has conducted test runs, they will not necessarily reflect the issues arising with switching to production at full commercial levels. The new product may have higher wastage rates than had first been estimated and so it may cost more to create a batch of the new material.

Sub-task (b)

Real options

Cartn could consider modifying only a small number of its factories initially. That will give the material suppliers an opportunity to develop their sources of the wood fibre and will identify any problems in obtaining commercially viable quantities. It will also provide Cartn with valuable experience of working with the new product. Apart from the manufacturing issues, having the output from a small number of factories will enable Cartn to demonstrate the new material to potential customers in a more credible manner than providing prototype cartons created in a test laboratory. It should then be possible to make a gradual shift into expanding the capacity to make cartons from the new material.

© CIMA 2026. No reproduction without prior consent

Another possibility would be to take care to retain any equipment that is taken offline as part of the modifications so that the cost of restoring the factories to their previous condition is minimised. Any changes that are made to the equipment that is retained should be documented carefully so that the modifications can be reversed if need be. In the worst possible case, this will enable Cartn to retain the opinion of reverting to the production of traditional cartons. It should be a simple matter of replacing the new material with traditional paperboard. This switch back will only be necessary if customers are reluctant to buy the new product, so making sales of the traditional cartons should not be a problem.

© CIMA 2026. No reproduction without prior consent

TASK 4

Sub-task (a)

Sustainability report

Sustainability reports are intended to provide stakeholders with facts in relation to the approach taken to the management of sustainability and to the company's performance. Cartn's report provides specific information about governance, strategy, risk management and metrics. That information is in the form of factual disclosures. Cartn does not necessarily make any claims concerning its motives for providing stakeholders with those facts. Stakeholders are free to draw their own conclusions on the relevance and interpretation of Cartn's sustainability report. Cartn's claims are open to challenge and stakeholders can call for evidence relating to claims that, say, the new material is more sustainable.

Companies are expected to succeed both commercially and in terms of environmental responsibility. Those objectives cannot necessarily be ranked in terms of importance. There are disclosure requirements in relation to both financial performance and sustainability and all must be complied with. Companies are not required to disclose their reasons for compliance because they must comply regardless. The directors are free to emphasise positive results in the financial statements and the sustainability report, provided they do not exaggerate in a manner that is misleading. All that matters in this case is that it is factually correct the new product will be inherently more sustainable in terms of its manufacture and recycling.

Social pressures often mean that there is little distinction between profitability and sustainability. It is common for companies to advertise that their products are sustainable because many consumers are reluctant to buy products that are unsustainable. The cartons being developed by Cartn appear to offer advantages in terms of both convenience and sustainability. If the cartons can be recycled more easily than existing products, then consumers may find it easier to dispose of them through their household waste. Retailers might also be willing to promote the new cartons more aggressively in order to signal their green credentials.

Sub-task (b)

Performance indicators

R&D should provide the Board with a regular report on the number of new initiatives that have been passed for investigation and that will improve sustainability. Such reports should not be too frequent, otherwise the R&D Department might become overloaded with projects. The reports might be submitted, say, every six months. R&D should also report on the progress of existing projects, focussing on their completion. The report could indicate the number of deadlines that have been met during the reporting period and the number that have been missed. The reasons for projects that are lagging should be reported, particularly if there is reason to believe that R&D is directing its efforts towards saving costs or

© CIMA 2026. No reproduction without prior consent

enhancing profitability. The proportion of new projects that have improved sustainability as a significant outcome should be indicated in the report. Ideally, R&D's efforts will lead to products that are more profitable and are sustainable.

R&D should support proposals submitted to the Board in relation to the launch of new products with details of estimated emissions from manufacturing the product. These estimates should be reported in comparison with both existing Cartn products and rival products from competitors. The evaluation of new product proposals should take account of the impact on Cartn's emissions. Reduced emissions can be promoted as a sign of environmental responsibility, especially if emissions are lower than those from competitors' products. Estimated emissions also offer the advantage of being an objective measure of environmental impact. Waiting until the product is at an advanced stage of development will make the information more reliable. It will reduce the risk of rejecting proposals at an early stage before R&D has had an opportunity to address any sustainability issues.

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May – August 2026 – VARIANT 3

EXAM ANSWERS

Contents

Variant 1 3
TASK 1 4
Sub-task (a) 4
Sub-task (b) 4
TASK 2 6
Sub-task (a) 6
Sub-task (b) 6
TASK 3 8
Sub-task (a) 8
Sub-task (b) 8
TASK 4 10
Sub-task (a) 10
Sub-task (b) 10

© CIMA 2026. No reproduction without prior consent

Variant 1

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

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

© CIMA 2026. No reproduction without prior consent

TASK 1

Sub-task (a)

Project team

The first step would be to decide on the scope of the project and the issues that are to be investigated by the project team. Setting the scope will make it easier to select appropriate team members, with the skills and seniority that will be required for the project. The scope will also enable senior management to appoint the team leader. For example, if the project is intended to focus on the technical issues, then it would be sensible to appoint an engineer as team leader. Setting the scope at the outset will also assist the project team to focus on the correct issues. Doing so will avoid wasting time and compromising the work by internal debates within the team as to the objectives that are to be achieved.

The Board should set realistic budgets and targets for the project. These should be communicated to the team members as quickly as possible after their appointment. It is important that the project team is aware of issues such as deadlines and expense budgets. Knowing the specific deliverables will also assist with planning and with providing a basis for checking that the Board's expectations are being met. Setting constraints will also assist department heads to be aware of the terms on which their staff are to be released for this project. It should be made clear whether, for example, the commitment of team members to the project is full time or part time.

The expected deliverables should be clearly defined from the outset so that members of the project team are aware of the basis on which they will be evaluated at the conclusion of the project. The Board should be clear as to the decisions that have been made and the extent to which the team is to engage with each of the issues associated with the proposal. There is little point in advising the Board on whether or not to proceed with the proposal if it has already been decided that Cartn will go ahead with it and the Board is looking for clarification on specific matters relating to implementation. Clarity over deliverables will also make it easier to subdivide the tasks that will be required of the team as a whole and to allocate them to individual team members. That clarity will also assist the team to ensure that their outputs are consistent and are of a satisfactory quality.

Sub-task (b)

Pricing strategy

Cartn should consider a variation on premium pricing for its proposed comprehensive service. Cartn already has an established consultancy service that has demonstrated its expertise. Furthermore, Cartn is considering this new comprehensive service because its clients have requested a more comprehensive service. It seems likely that clients will be prepared to pay a high price for this additional service. A comprehensive service will save clients a significant amount of management time because they will be relieved of the responsibility of negotiating purchase contracts with equipment suppliers and arranging for

© CIMA 2026. No reproduction without prior consent

installation. The value of the proposed new service has been implied by the fact that clients often request it from Cartn at present.

A premium pricing strategy could be combined with a degree of product bundling because Cartn will effectively be supplying the equipment as well as the installation in addition to the design service. One possibility is that Cartn will be able to negotiate discounts with equipment manufacturers because of the volume of orders that it will be able to place. If those discounts are passed on to clients, then a high consultancy rate for Cartn's involvement will be less likely to cause complaints. Even if there is no discount, the fact that the consultancy work will be bundled with the equipment purchase will mean that the consultancy work will be a relatively small proportion of the total cost of the new packaging solution. Clients are unlikely to be unwilling to pay a premium charge.

© CIMA 2026. No reproduction without prior consent

TASK 2

Sub-task (a)

Business risks

Operational risks tend to arise because of failed processes. The biggest concern here is that Cartn will be using maintenance staff to install Luxsoup's new equipment. These employees might not have the necessary expertise to install production equipment. Cartn's factory manufactures packaging materials for sale to customers. The maintenance of that factory equipment might not involve the same skills as are required for installation of equipment used to fill cartons. The equipment that Cartn's maintenance staff are used to could be different in form and function from the new equipment to be installed and so they might not install the new equipment properly. The lack of familiarity could lead to errors in installation that could lead to breakdowns or wasted product or packaging when the new equipment is activated. Hopefully, any failure will occur before the new packaging equipment is handed over to Luxsoup. Even that could lead to problems if the commissioning of the new equipment is delayed because of installation errors.

Contractual inadequacy risk arises when contracts fail to address all relevant issues. In this case, there is a complicated relationship between Cartn, Luxsoup and the equipment manufacturer. Cartn is placing orders with the manufacturer for delivery to Luxsoup. That could complicate any issues arising from the relationships between the parties. For example, the manufacturer could claim that any defect has arisen because Cartn provided misleading information when placing the order. That could lead to blame being directed at all three parties, with no clear understanding of who is responsible. Similarly, Luxsoup might be unsure whom to blame if there are problems with the order in terms of delays in delivery or other factors. The manufacturer might blame Cartn for any poor communication or other problems at the ordering stage.

Sub-task (b)

Weighted average cost of capital

Cartn's WACC will be affected primarily through the impact of the order on the company's cost of equity. The cost of debt might decrease very slightly because the contract will increase future cash flows and so any risk associated with debt might decrease. Any reduction is likely to be very small because the markets have no reason to believe that Cartn will default on its debts, so any risk associated with the debt will be limited. Cartn's gearing is not excessive, so the risks associated with debt are limited. WACC will remain virtually unchanged if k_d remains constant or any decrease is immaterial and there are no other movements in the variables in the WACC equation.

The cost of equity can be measured in various ways, including tracking the relationship between expected dividends and Cartn's share price. Good news such as the launch of a new service and initial success in being awarded a large contract could be expected to increase the share price. That suggests that a smaller k_e will be used in order to track the

© CIMA 2026. No reproduction without prior consent

relationship between the share price and dividends. That is logical because of the nature of the new service. It will not require a major investment by Cartn, so it is capable of making profits without exposing equity to additional risk. The shareholders will enjoy the benefits of the additional profits and so they are likely to demand a smaller rate of return in order to participate.

The one complication arising in this case is that increasing Cartn's share price will increase the market value of its equity. WACC is the weighted average of k_e and k_d, with weightings being applied in relation to the market values of debt and equity. The cost of debt is generally lower than the cost of equity because lenders take a smaller risk than shareholders. Increasing the market value of equity will increase its weighting, which will increase WACC to some extent. The increase in market value is unlikely to be sufficient to cause an overall increase in WACC.

© CIMA 2026. No reproduction without prior consent

TASK 3

Sub-task (a)

Transfer prices

Ideally, transfer prices should be determined in terms of opportunity costs. The opportunity cost to the production department is complicated by the fact that the release of staff could lead to breakdowns and a loss of production. The cost of releasing staff to the factory depends on whether having fewer maintenance staff causes breakdowns. It is possible that any reduction or delay in planned maintenance will have very little immediate effect, but it could lead to serious delays in fulfilling orders or problems with product quality. There is a similar concern with releasing design consultants because the impact of their loss will depend on whether there are any other major contracts that require service.

It is unlikely that the Operations Director will be willing to release maintenance staff because she will be held directly responsible for any problems due to poor maintenance. Even if a breakdown can be attributed to the absence of some of her staff, she may still be blamed for not making more effective use of remaining staff. It is unlikely that the Board as a whole will accept responsibility for failing to prevent a loss of production. It is debateable whether the Board will acknowledge the validity of that concern before the project proceeds. The directors will be keen to ensure that the Luxsoup project commences on time and is fully staffed from the outset and so the Operations Directors' concerns are unlikely to be noted.

This is a new venture for Cartn, so it is unclear how many of the maintenance staff will be required for the Luxsoup project. It may be that the transfer of a small number of staff would create little real risk for the production department and so the risks and costs could be manageable. It is also possible that there could be a conflict, regardless of the use of opportunity costs, because the potential cost of releasing additional staff could increase disproportionately. Also, the Consultancy Department will be focussed on ensuring that this first project is a success in every way. There is a potential for significant dysfunctional behaviour on both sides.

Sub-task (b)

Motivation and engagement

Senior management should investigate the reasons why the maintenance staff are reluctant to participate in this project, with a view to addressing any problems that are reported. It may be that there are practical issues, such as working at a different location affecting the workers' daily commute. Any such problems should be addressed by offering financial compensation for the time and cost of the additional travel or by arranging coaches to transport staff between their usual place and the Luxsoup factory. The fact that the staff have been asked will, in itself, demonstrate that they are not being taken for granted. The provision of suitable resources should help to motivate staff to participate.

© CIMA 2026. No reproduction without prior consent

Engagement could also be affected by concerns that Cartn is asking its maintenance staff to install machinery that they know little or nothing about. Concerns that they are being asked to undertake a task for which they have had no training might be addressed by organising a briefing. It may be possible to visit the factory before the old equipment is dismantled so that they can see what is entailed in the installation of updated equipment. It would then be possible for the workers to identify areas of weakness that could be reported to the Consultancy Department in the hope of arranging support. One possibility would be to recruit qualified staff who have specific skills that the Production Department lacks. It could be, for example, that the packaging equipment requires plumbers to install pipes and ensure that they will not be affected by heat or pressure.

© CIMA 2026. No reproduction without prior consent

TASK 4

Sub-task (a)

Accounting treatment

The contract should be accounted for in terms of the requirements of IFRS 15 *Revenue from contracts with customers*. Cartn will have to identify the performance obligations that have been completed and to recognise revenue when the obligations have been completed. The performance obligations in this contract are restricted to the services to be provided by Cartn. The purchase and payment of the equipment is a separate contract between the manufacturer and Luxsoup.

It could be argued that work to the value of H$14 million has been completed during the year ended 31 March 2027. That could be justified on the basis that Luxsoup has accepted invoices to that amount. If that is the case, then Cartn can recognise the H$14 million as revenue during that financial year, with costs incurred in completing the work also being recognised. Any balance outstanding from Luxsoup can be recognised as a receivable in Cartn's statement of financial position.

The remaining H$8 million should be recognised as revenue for the performance indicators completed during the year ended 31 March 2028. The H$1 million that has been held back as a retention could be viewed as a receivable. The release of that sum is conditional only on Cartn repairing any defects that arise before 30 June 2028. Cartn does not appear to believe that this is a significant matter, which suggests that there is no significant performance obligation associated with the need to repair.

Sub-task (b)

TQM

Overall, the costs of conformance with sound controls will probably outweigh the potential costs of non-conformance. Cartn should aim to eliminate errors from the selection and ordering of the remaining 10% of items that have to be ordered. The suitability of the equipment being ordered should be checked by Cartn's engineers to ensure that it is compatible with the equipment that has already been ordered. Cartn should ensure that all equipment deliveries are checked against their purchase orders to ensure that the correct items are despatched by their manufacturers. Incoming equipment should be inspected on arrival to ensure that it has not been damaged in transit. All receipts should be tracked against the orders so that Cartn's engineers can check that everything they need is available.

Cartn's engineers should ensure that they are familiar with the equipment that they are installing. They should study manufacturers' instruction manuals, paying particular attention to anything relating to installation. Correct installation will reduce the risk of machinery breaking down or producing defective output. The correct operation of each item should be tested as soon as it is installed. When equipment is installed in sequence, the transition from

© CIMA 2026. No reproduction without prior consent

one machine to the next should be tested carefully, both to ensure correct operation and to prevent machines from damaging one another.

Cartn's engineers should look ahead to the possibility of continuous improvement when planning their training of Luxsoup staff. Training should include the checks that can be carried out so that staff can identify problems as they arise. There should also be coverage of simple repairs that can be carried out by maintenance staff rather than by specialist engineers so that Luxsoup staff can deal with quality problems that arise. The staff should be instructed in the regular maintenance that can be carried out, such as lubrication and replacement of consumables. Proper maintenance will reduce the risk of breakdowns or premature scrapping of equipment.

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May – August 2026 – VARIANT 4

EXAM ANSWERS

Contents

Variant 1 3
TASK 1 4
Sub-task (a) 4
Sub-task (b) ..... **Error! Bookmark not defined.**
TASK 2 ..... **Error! Bookmark not defined.**
Sub-task (a) ..... **Error! Bookmark not defined.**
Sub-task (b) ..... **Error! Bookmark not defined.**
TASK 3 ..... **Error! Bookmark not defined.**
Sub-task (a) ..... **Error! Bookmark not defined.**
Sub-task (b) ..... **Error! Bookmark not defined.**
TASK 4 ..... **Error! Bookmark not defined.**
Sub-task (a) ..... **Error! Bookmark not defined.**
Sub-task (b) ..... **Error! Bookmark not defined.**

© CIMA 2026. No reproduction without prior consent

Variant 1

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

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

© CIMA 2026. No reproduction without prior consent

TASK 1

Sub-task (a)

Business model

Cartn will continue to define value in terms of offering products that enhance the foods sold by their customers. The fast-food restaurants that Cartn will supply are being offered the opportunity to sell a wider range of meals and, by implication, meals of better quality. Consumers will be attracted to these restaurants because they will be able to enjoy new ranges of food that is packaged in a manner that is convenient to eat. The new tubs will be designed specifically to meet the needs of consumers who wish to eat fast food in a number of different settings.

Cartn already has experience in creating value through the provision of a reliable service for the delivery of tubs to customers. It should be possible to maintain that standard of service simply by using Cartn's existing approach to manufacturing and logistics. There could, however, be a concern if the new tub designs require significant modification of Cartn's production lines. The tubs will have to be more rigid than usual and that could create problems with production. There may also be some difficulty in the manufacture of disposable wooden cutlery, unless Cartn outsources that to a third party.

Cartn's global manufacturing approach is consistent with its approach to delivering value through the supply of packaging that is suitable for local needs. Different countries will require different types of fast food, perhaps with a greater emphasis on salads in hot countries and soups and stews in cold. Tubs can also be designed to meet different local needs in terms of portion sizes, which will have implications for tub sizes. Cartn will be able to accommodate the needs of chains that adapt their menus to meet local conditions in the countries where they operate.

Cartn should be able to capture residual value from its new packaging design because it is creating a need from its customers. Fast-food companies might not realise that they need these new tubs until they receive a sales pitch from Cartn's marketing staff. Cartn will be able to offer tub designs that can be made and sold at a profit.

Sub-task (b)

Stress testing

It should be possible to test the impact of past changes in economic wellbeing on demand for traditional fast-food meals, such as burgers. It will be possible to obtain an overview by studying the revenues and operating profits according to the annual reports published by restaurant chains and relating those to economic data from credible sources, such as government statistics. This historical data will be reliable because the accounting regulations used in the preparation of the financial statements and the availability of reliable economic indicators. The problem will be that it may be difficult to predict movements in the economy, so future volatility of demand for the tubs might be difficult to calculate with certainty.

© CIMA 2026. No reproduction without prior consent

Governments pay close attention to managing their economies and so they might work to prevent damaging changes in the economy.

Cartn also has to consider that demand for its tubs may be affected differently by economic variables than the traditional fast foods that form the basis of any historical analysis. Cartn is attempting to persuade fast-food chains to add more upmarket ranges to their existing menus. It may be that these new products will be more expensive and so more prone to a decrease in sales volume in the event of, say, increased inflation or higher interest rates. It may not be possible to determine whether demand for these tubs will be volatile until after sales have commenced and Cartn has had the opportunity to see the impact of changes. Restaurants may not be concerned about the volatility of sales of these meals provided lost sales can be replaced by sales of their traditional menu items.

© CIMA 2026. No reproduction without prior consent

TASK 2

Sub-task (a)

Goodwill

Cartn will have to determine goodwill on acquisition in terms of the requirements of IFRS 3 *Business combinations*. That requires Cartn to determine the fair value of its consideration payable to Cardboal's founder for the equity as well as the fair value of the company's separable net assets. The valuation of the consideration is complicated by the fact that Cardboal's founder is insisting on a combination of Cartn equity and an appointment as a full-time employee. The Cartn shares will be easy to value because the company is quoted, and the value can be established by multiplying the number of shares by the market price on the date of acquisition. The problem will be in valuing the commitment to provide the founder with full-time employment. Cartn might not necessarily expect to benefit from the work to be undertaken by the founder, so the cost of its commitment could be difficult to value.

It might be difficult to establish a fair market value for the factory because of the nature of the property. It is a small property that manufactures a unique product, which could suggest that there will not be an observable market for similar factories. If Cartn intends to dispose of the factory, then it might be possible to sell it quickly after acquisition, which would give it a value in terms of its selling price. The factory equipment will also be difficult to value because Cardboal makes quite specialised products and so there might be very little demand for equipment of this type and age. Hopefully, the value of the equipment will be small enough to avoid the embarrassment associated with material overstating it in Cartn's published financial statements.

Cardboal's main assets will be in the form of patents. These are unlikely to have an active secondary market, which means that there will be significant difficulty in determining a realistic fair value. The value is further complicated by the fact that the patents relate to the manufacture of a new product. The value of the patents will be complicated by the fact that Cartn will have to find regular buyers for its new tubs before it can be argued that the patents will have any real value. There is also the concern that Cartn will have to complete the design of its new product and commence production before it can be seen to be making any use of its patent rights. It may be that Cartn's Board will be put in the difficult position of being forced to attach a zero value to its newly acquired patents, which could create concerns for the shareholders.

Sub-task (b)

Conflicts

Cartn has a Director of Product Development, who is supported by design staff. Granting the founder's request will probably create friction with the director and her staff. The founder might expect to have a significant amount of authority, which could lead to resentment amongst established members of the design staff. It would be necessary to offer the founder a clear role within Product Development, with a clear indication of her position within the

© CIMA 2026. No reproduction without prior consent

departmental hierarchy. That could be inconsistent with her expectations, bearing in mind that she is stepping down as founder and chief executive of a company that Cartn wishes to acquire because of her design work and the patents that she has created. Imposing limits on her role could lead to the cancellation of this acquisition, although that would be preferable to causing the resignation of key members of the design staff.

It also appears that the founder expects to be granted a great deal of freedom in terms of resources and selection of development projects. That might create problems in terms of the motivation of Product Development staff, none of whom are likely to be entrusted with such freedom. There may also be concerns that the founder's activities will divert funds that would otherwise have been budgeted for the ongoing work of product development. This concern would have to be addressed by setting a budget for her development work that is realistic and designed to ensure that funds are directed towards the most important development projects. It should be possible to negotiate a realistic budget. The founder has experience of running a company and should understand the need to manage investment in R&D.

© CIMA 2026. No reproduction without prior consent

TASK 3

Sub-task (a)

Re-engineering production

The first step would be for the Production Department to identify the process that is to be re-engineered. In this case, Cartn must decide whether to modify existing production facilities to enable them to switch between conventional tubs and the new product or whether to establish a separate production line for the fast-food tubs. The engineers in the Production Department should be asked to advise the Board on the ability of the existing factory equipment to manufacture the new product line. The Board will also require advice from Marketing in relation to predicted demand. The intention is to expand into a new product line, so Cartn will require sufficient capacity to make the new tubs alongside existing output.

Regardless of the identification of the process, Cartn will have to redesign the production process associated with the mass production of the new tubs. The product features will have to be designed into the production process to ensure that a satisfactory product is produced. Production Department staff will have to engage with Product Development and Marketing to ensure that the factory equipment meets the customer's expectations. If possible, Meelreddy should be provided with a large test batch of factory-made tubs to enable it to trial its new soup menu. Any feedback from Meelreddy might be useful in reengineering further other factories until Cartn has sufficient capacity for the manufacture of this new line.

Cartn should regard this as an opportunity to improve the overall efficiency of its production, not necessarily just the efficiency of the new tubs for Meelreddy. The launch of a new product could be seen as an opportunity to redesign the approach taken to the manufacture and launch of existing products. Some of the features of the new tubs could add value to existing products. For example, the insulation that maintains the temperature of hot soup could also be used to keep refrigerated contents cool while taking them home. It may also be possible to automate production in ways that were not possible when Cartn's factories were first designed and built. Lessons from the approach taken to making these new tubs could be applied to reengineer existing factories in order to reduce production costs across Cartn's product range.

Sub-task (b)

Contractual inadequacy risks

There could be a risk that consumers will be injured by the careless spillage of hot soup, especially if the cause is related to the lids becoming detached. It may not be clear whether the injury was caused by Meelreddy's decision to sell hot soup in tubs or because of a design flaw in the tubs that Cartn supplied. It might be possible to negotiate a contractual agreement that Meelreddy will accept full responsibility for any such claims, even if they are made against Cartn. It is, however, unlikely that Meelreddy would be willing to accept all responsibility. The most effective way to protect Cartn against claims for accidental injury would be to minimise the risk of a successful claim by consumers. One approach might be to

© CIMA 2026. No reproduction without prior consent

have a prominent warning printed on the soup, stating that the tub's contents are hot and that the tubs should be handled with care.

Cartn could suffer significant losses if Meelreddy stops using these tubs. The equipment that has been installed might have to be removed and scrapped. It would be ideal for Cartn to negotiate a sales contract that requires Meelreddy to place a minimum order until all costs have been recovered, but it is unlikely that Meelreddy would agree to that. It might be possible to mitigate this threat by requiring Meelreddy to agree to buy its tubs exclusively from Cartn. That would prevent Cartn from losing business to a cheaper rival. Cartn could also insist on a large initial order so that Meelreddy is effectively demonstrating good faith in the launch of its soup product. Cartn could also insist on being free to sell its tubs to rival fast-food restaurant chains, which would spread the risk across other contracts.

© CIMA 2026. No reproduction without prior consent

TASK 4

Sub-task (a)

Accounting treatment

The claims need to be accounted for in accordance with the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets.* The H$3 million that will be paid towards Meelreddy's costs could be viewed as a constructive obligation. Cartn has effectively committed itself to paying this amount. This sum could be treated as a provision in the financial statements, recognising the possibility that the agreement to make the payment might be withdrawn. The timing and the amount of the payment is still under Cartn's control because it has not created a binding contract with Meelreddy. The H$3 million will appear as an operating expense in the statement of profit or loss for the year ended 31 March 2027. The amount will also appear as a current liability in the statement of financial position.

The "possibility" that Cartn will have to make a payment of between H$5 million and H$25 million should be regarded as a contingent liability. The liability is contingent on whether the court will find in Meelreddy's favour. It would be misleading to recognise the possibility of this payment in the financial statements themselves because of the uncertainty about the amount and the timing of any payments. To avoid potential confusion, the notes to the financial statements should describe the claim and should indicate a realistic upper limit on the cost of settling this claim after any court hearing has concluded. According to the legal advice received by the Board, this claim could result in a payment of up to H$25 million. Stating that possibility in the notes to the financial statements will enable users of the financial statements to allow for the uncertainty arising from this claim in their interpretation of the financial statements.

The H$10 million claim should be regarded as having a remote possibility of payment. The fact that the possibility of payment is remote suggests that nothing should be recognised or disclosed in the financial statements. A provision would be inappropriate because no reliable estimate can be made of the cost of settling Meelreddy's claim. A contingent liability is defined as a possible obligation. According to Cartn's Legal Department, there is no possible obligation because the courts would almost certainly reject Meelreddy's case. Any disclosure in the notes to the financial statements would create uncertainty in the minds of the users of the financial statements, which would be misleading because the legal advice suggests that no uncertainty exists.

Sub-task (b)

Difficulties

The Harrlandian factory may be reluctant to accept a very low price for these tubs because it will have to recognise an immediate loss. The tubs cost H$60 million to manufacture and it was intended that they would be sold for H$90 million. Selling them for the H$6 million that has been offered would require the recognition of a H$54 million loss. Refusing this offer would permit the Harrlandian factory to estimate a net realisable value for the blank tubs,

© CIMA 2026. No reproduction without prior consent

which would avoid having to declare such a large loss. The management team at the Harrlandian factory might suspect that other profit centres, including the Southlandian factory, will undervalue the tubs in agreeing the sale with a third-party customer. The profit centres will make a profit provided the transfer price is lower than the external selling price.

From the perspective of Cartn as a whole, the optimal transfer price will take account of the opportunity cost to the Harrlandian factory of the tubs. If another profit centre can obtain a higher selling price than the Harrlandian factory's opportunity cost, then it should be able to offer an acceptable transfer price. The opportunity cost to the Harrlandian factory is likely to be based on the amount that it could obtain from the sale of the tubs to an external customer. Unfortunately, there is no observable market for these tubs. The Harrlandian factory may be unwilling to accept a price that is only slightly in excess of its opportunity cost because it might suspect that it could identify the other profit centre's third-party buyer. The suspicion that another factory could sell the tubs at a profit might cause the Harrlandian factory to believe that its opportunity cost is higher than expected.

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May – August 2026 – VARIANT 5

EXAM ANSWERS

Contents

Variant 1 3
TASK 1 4
Sub-task (a) 4
Sub-task (b) 4
TASK 2 6
Sub-task (a) 6
Sub-task (b) 6
TASK 3 8
Sub-task (a) 8
Sub-task (b) 8
TASK 4 10
Sub-task (a) 10
Sub-task (b) 10

© CIMA 2026. No reproduction without prior consent

Variant 1

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

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

© CIMA 2026. No reproduction without prior consent

TASK 1

Sub-task (a)

Stakeholders

Stakeholders are defined in terms of the extent to which they can be affected by an activity or their ability to affect that activity. It may be difficult to identify the impact that this proposal will have on different stakeholders. Consumers might be more willing to buy milk and other products in cartons because those cartons can be recycled in the facilities that Cartn plans to provide. It would be difficult to determine the extent to which the buying behaviour of consumers will change because they may not be aware that 95% of used cartons are dumped in landfill. There is also the possibility that the proposal will benefit rival packaging providers as well as Cartn because it would be impossible to recycle only Cartn's cartons. Any positive change that attracts consumers to this form of packaging will encourage all sales using this packaging type.

Cartn's customers, the companies that use cartons to package their products for retail sales, might be affected by this proposal if it improves sales revenues. The question is whether those companies will change their buying decisions in any way because their sales are, presumably, acceptable already. If concerns about recycling cartons costs them custom, then customers would probably have switched to different packaging that was more readily recyclable, such as plastic bottles for milk or cans for soup. Customers and potential customers are unlikely to buy more packaging from Cartn just because of the availability of recycling centres. Customers are unlikely to know whether they will regard the availability of recycling centres as an issue for them.

Local governments will have a complicated set of interests relating to the availability of recycling centres because they will incur higher costs and more complex operations. They will have to provide a means of separating cartons from other waste. That might involve providing households with an additional bin that it intended just for cartons. The cartons would have to be collected separately, perhaps by having an additional collection run by waste collectors just to gather carton waste. This additional complexity will have an impact on the net improvement on sustainability associated with cartons. It seems likely that local governments will also incur additional expenses because the proceeds of the sale of recycled waste will be retained by Cartn.

Sub-task (b)

Challenges

The initial cost of establishing the recycling centres may be difficult to determine because local governments could be reluctant to permit their construction. There may be significant legal costs associated with negotiating for sites and for agreeing the sizes of different centres, which could have a significant impact on the initial cash outflow. If Cartn is forced to compromise on construction, then it may be difficult to predict the scale of the initial investment. Cartn may also be forced to agree to investments that are sub-optimal, with

© CIMA 2026. No reproduction without prior consent

planned sites being abandoned in favour of alternatives that may cost more but for which permission can be obtained.

It may be difficult for Cartn to predict the quantities of usable scrap cartons that will be recovered from this initiative. Consumers might be unwilling to cooperate by sorting their household rubbish to keep cartons separate. Discarded cartons might be more difficult to recycle than expected because consumers might not empty them completely before throwing them in their bins.

There will always be a risk that local governments will withdraw from any arrangement before Cartn's costs have been recovered. There will be political issues due to the visible costs associated with the additional collections having to be offset by less visible benefits in terms of greater sustainability and fewer cartons being dumped in landfill. It may be necessary to discount the projected cash flows at a high rate of return to compensate for these risks.

© CIMA 2026. No reproduction without prior consent

TASK 2

Sub-task (a)

Project constraints

Time may not be a major issue for the project team because there is no obvious need for urgency. The Board should consider whether there are any factors that could create problems if there are delays in the completion of the project. For example, it would be important to be ready to respond to any government threats to curtail or ban the use of cartons because of sustainability issues. Prompt completion will also reduce the risk of a damaging political response because cartons are being dumped in landfill and that will continue until recycling commences.

The cost of the project is important because that will result in an operating cost that will be borne by the shareholders. There are also opportunity costs associated with the time spent on the project that would otherwise be devoted to management of the company. For example, the Senior Financial Manager will be distracted from the supervision of Cartn's finances. The Board may lose confidence in the project team if it sees evidence of costs being incurred with nothing to show for it.

The quality of the project is probably the most important constraint to be considered. The output from the project will assist the Board in the planning of a major investment. Bad planning could lead to the wrong decision being taken, which could have serious consequences for Cartn. The amounts of material being dumped in landfill could lead to serious reputational damage for the company. The Board will have to be prepared to justify any investment that it makes in recycling centres to Cartn's shareholders.

Sub-task (b)

Target costing

The Board should consider the range of costs that might be incurred in the construction of recycling centres, so that they have an indication of the scale of the decision they have to make in relation to the investment. The working paper prepared to brief the project team suggests that Cartn could recover up to 100% x 85% = 85% of all materials at a cost of 78 x H$90 million = H$7,020 million or as little as 20% x 55% = 11% at a cost of 11 x H$46 million = H$506 million. The project team should also consider the impact of the investment on the net operating costs that will be incurred when recycling commences. The recycling centres will cost more to run than the value of the materials that will be recovered. Presumably, the extent of such losses will depend on the specification of the equipment that will be purchased. Cartn's Board will benefit from a report that offers an indication of the relationship between the costs that will be suffered and the materials that will be recovered.

The project should commence by investigating the percentage of materials that will have to be recovered in order to protect Cartn's reputation. The fact that the recycling will be run at a loss suggests that Cartn views recycling as a means of managing stakeholders' responses

© CIMA 2026. No reproduction without prior consent

to the sustainability of cartons as food packaging. It is important to ensure that correct decisions are taken at the planning stage of this project, otherwise it may be expensive to increase recycling capacity at a later date. The project team should seek guidance from the Board, particularly from the Marketing Director, to seek guidance on the minimum level of recycling that would be considered acceptable. The project team can then work on a plan that will ensure that the minimum level is at least met and is, hopefully, exceeded.

The project team should consider whether there are any other design issues that must be considered before any detailed recommendations are made. For example, there may be particular locations for recycling centres that will attract positive feedback if they are served. Some of Harrland's lightly populated areas could suffer significant harm if they are used for dumping waste in landfill. It may be cost effective for the project team to locate recycling centres in areas that require protection in order to protect, say, tourism in those areas. The project team should also consider the costs and benefits associated with combining different numbers of centres and different capacities of centre. Aiming to recover, say, 30% of all materials from cartons could be accomplished in a number of different ways.

© CIMA 2026. No reproduction without prior consent

TASK 3

Sub-task (a)

Risk

There could be a high risk of poor demand for this product range. Office furniture that is made from recycled scrap plastic may be unattractive and difficult to sell. That risk may be mitigated by the fact that Dence is already a manufacturer in this market and it may have experience of selling inexpensive furniture to this end of the market. Cartn will benefit from Dence's expertise and need not become directly concerned in the design aspects of the product. There is also the fact that the plastic is a versatile material that can be used in other applications. If the office furniture does not sell well, then Cartn can consider selling its plastic for some other use, with or without the collaboration with Dence.

Cartn's place in the supply chain for the new range of furniture is complicated by the fact that Cartn has no experience of producing plastic. The recycling centres have not yet been established and so Cartn has no direct experience of extracting plastic from waste cartons. There could be problems with the company's ability to provide consistent quality or with its ability to deliver plastic on schedule. It may be possible to mitigate this risk by staggering the opening of recycling centres so that Dence can test the initial batches of plastic for quality. If the first few centres are creating satisfactory output, then Cartn can proceed with the remainder.

Contractual inadequacy risk could arise from the fact that the relationship between Cartn and Dence is highly specific. It might be difficult to address any complications that arise. If the new office furniture proves popular, then Cartn may not be able to produce sufficient plastic to meet demand. It may be more cost effective for Dence to switch to a larger supplier that can meet all its needs rather than buying just the balance from a third party. The fact that Cartn is a member of a joint venture rather than simply a supplier could lead to wider problems, such as the creation of liability in the event that the joint venture sells defective furniture. Customers could seek compensation in the event that members of staff are injured by the collapse of tables or chairs.

Sub-task (b)

Accounting treatment

Cartn should account for this in accordance with IFRS 11 *Joint arrangements.* As equal shareholders, both Dence and Cartn have joint control and have rights to the net assets of the joint venture entity. The accounting treatment will be based on the equity method of accounting, as set out in IAS 28 *Investments in associates and joint ventures.*

Cartn will recognise its investment in the joint venture at cost, plus Cartn's share of the movement in the entity's post-acquisition profits. Assuming that the entity generates retained earnings during the months from the launch of the joint venture to Cartn's year end, Cartn will add 50% of that gain in net assets to the value of its investment in its statement of

© CIMA 2026. No reproduction without prior consent

financial position. That increase will be reflected both in the financial statements of the group member that holds the investment in the joint venture and in the consolidated financial statements of the Cartn Group. The value of Cartn's share of the joint venture will appear as a single line in the financial statements. It will not be consolidated on a line-by-line basis.

Cartn's statement of profit or loss will include a line for its share of the joint venture entity's profits for the year. The transactions between Cartn and the joint venture will not be eliminated because the joint venture is not a subsidiary. There may have to be a further adjustment to eliminate any unrealised profit arising from sales of plastic from Cartn to the joint venture entity at a profit and that plastic remaining in the entity's inventory at the year end.

© CIMA 2026. No reproduction without prior consent

TASK 4

Sub-task (a)

Integrated report

Cartn's manufactured capital should include the recycling centres, with a clear description of the capabilities that they provide to the company. The shareholders will be aware of the financial cost of the investment in recycling centres from the statement of financial position. The integrated report will provide a clearer indication of the function that these centres will serve in terms of the Cartn Group's operations. The integrated report can disclose the link between the cost of Cartn's investment to the cash flows from the recovery and sale of materials. Shareholders will receive a clearer indication of the efficiency of Cartn's investment in recycling.

Cartn's social and relationship capital will reflect the relationships between Cartn and the buyers of recovered plastic from waste cartons. These are important relationships for Cartn because they support the economic viability of recovering waste plastic. Cartn relies on these customers to enable the recovery of waste plastic, while customers have a ready source of suitable materials from Cartn. Both sides of this relationship can claim to be enhancing sustainability and so their products can be promoted as more sustainable. There is scope for both sides to develop this relationship further and any such expansion can be reported under social and relationship capital.

It could be argued that Cartn's recovery of scrap materials enhances the natural capital of both the company itself and the customers who buy the plastic that is being recovered. If Cartn did not operate these centres, then it would be necessary to manufacture more plastic, probably by using fossil fuels in the process. Customers can now make their plastic products while claiming that their raw materials are based on recovered plastic waste. Recovering plastic also enables Cartn to claim that it is enhancing sustainability through the diversion of materials that would otherwise be dumped in landfill. Dumped cartons would take a long time to degrade completely because of the plastic content that is now being recovered and put to use.

Sub-task (b)

Pricing strategy

Cartn should start by considering what it hopes to achieve from its pricing strategy. At present, it appears that it does not face any direct competition for the sale of recovered plastic. Maintaining control of this market will enable Cartn to maximise the benefits that it enjoys, both in terms of cash flow and in terms of reputation. Cartn should be careful not to raise its prices to a level where rival businesses are attracted into this business. Rivals need not necessarily make and sell cartons because the cartons are taken from household waste.

Cartn should aim to set its prices at a level that allow a small margin in excess of the cost of obtaining used cartons and recovering the plastic content. The small margin will help Cart to

© CIMA 2026. No reproduction without prior consent

retain customers and, hopefully, to attract further buyers. That will enable Cartn to benefit from economies of scale in terms of its recovery operations and so its costs will be reduced to levels where the small margins allow an acceptable profit. Potential rivals will be discouraged from entering the market because it will be difficult for them to compete on price. The small margins will also discourage local governments from increasing the cost of cartons recovered from household rubbish.

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May – August 2026 – VARIANT 6

EXAM ANSWERS

Contents

Variant 1 3
TASK 1 4
Sub-task (a) 4
Sub-task (b) 4
TASK 2 6
Sub-task (a) 6
Sub-task (b) 6
TASK 3 8
Sub-task (a) 8
Sub-task (b) 8
TASK 4 10
Sub-task (a) 10
Sub-task (b) 10

© CIMA 2026. No reproduction without prior consent

Variant 1

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

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

© CIMA 2026. No reproduction without prior consent

TASK 1

Sub-task (a)

Pricing

The impact that the new materials will have on the appearance of the new tubs could be an issue because food packaging can have an impact on the marketability of the products. If a tub made from paper fibre is less attractive than the plastic tub design that is currently used at present, then consumers might regard the product as being of lower quality. If the new tubs will cost less to manufacture, as currently expected, then it might be sensible for Cartn to pass the cost savings on to customers. That will enable them to give consumers the impression that the cost of their butter is being discounted in line with the apparent downgrading of the quality of the tubs. A slight discount will also encourage consumers to stick with their favourite brands of butter or non-dairy spread, which will look different because of the new packaging.

The extent to which the new packaging improves sustainability could be a factor if there is any evidence that consumers will be attracted by packaging that they can recycle. It may be that the positive publicity associated with the launch of the new material will attract some consumers and will enable Cartn to increase its selling prices. That would, however, be a risky proposal because the food producers might be afraid of losing consumers if prices increase. If a food manufacturer switches to a rival packaging producer, then it might be difficult to get that business back. The fact that recycling rates for plastic tubs are currently low suggests that consumers will not be particularly concerned about the sustainability of their groceries.

The elasticity of demand in relation to the cost of packaging will also be an important factor in the pricing decision. The cost of packaging will represent only a very small proportion of the retail price for a tub of butter or non-dairy spread. Any change in the price charged to manufacturers will be unlikely to affect demand for their product. If Cartn can make satisfactory sales revenues from its existing plastic tubs, then there is probably no great advantage in reducing prices because doing so will have little or no impact on demand. Cartn should restrict any price reduction to the expected saving due to the new material, or it should continue to sell at its current price.

Sub-task (b)

Team leader background

The background of the team leader will have a significant impact on the focus of the project to complete the development of the new product. It could be argued that a marketing manager should lead the project to its conclusion. Marketing focuses on the needs of customers, which is vital in the development of a new product. Marketing will assist the project team to evaluate potential demand for the new tubs and to identify important product features. Marketing managers are also more likely to be able to communicate directly with

© CIMA 2026. No reproduction without prior consent

customers than managers from different backgrounds and those contacts may also serve the project team well.

The materials to be used in the new tubs were developed by the Product Development Department and so product development has already had a major input into the project. Product development should be represented on the project team but should not lead it in order to allow for managers with different skills to take charge. Product development has already created an interesting new product. It makes sense to offer Marketing the opportunity to ensure that there is an adequate demand to justify the launch of the new tubs.

The finance perspective is an important part of this project, but it could be argued that it is secondary to both marketing and product development. Finance can assist the other departments by costing product features and total production costs. Even though that assistance is vitally important, the cost of the new tubs is not the most important aspect of their development.

© CIMA 2026. No reproduction without prior consent

TASK 2

Sub-task (a)

Performance indicators

The minutes of a monthly project team meeting will provide the Board with evidence that the project team met and made progress with the project. The attendance list will confirm that team members were present and are taking their membership of the project team seriously. The agenda of the meeting should include topics such as progress towards the release of the new tubs and the minutes should recognise whether the planned progress is being made. The minutes should include matters arising from the previous month's meeting, which will provide the Board with assurances that the project team is addressing matters of concern that were identified during previous meetings. The level of detail provided by the minutes will confirm whether the project team met for an acceptable length of time and discussed problems in sufficient depth to allow for progress.

There should be a monthly report on the project's budget, showing expenditure and remaining balance for the main budget headings. The budgetary report will demonstrate that the H$% million allocated to the project is being put to good use. It will also allow the Board to see that funds are being spent in accordance with the plan underpinning the budget. Any overspends should be supported by an explanation of the reasons and the impact of the overspend for other budget areas. Underspends will also require an explanation because they could indicate that important steps in the product development are being overlooked.

It would be useful to provide the Board with monthly updates on the meetings held with potential customers for the new tubs and an indication of customer interest in the product. This report should be specific, including details of meetings that state the job title of the customers' representatives. The extent to which these representatives can make a buying decision should be noted so that the Board can be confident that the project team is in contact with decision makers. The report should indicate the action points noted during the meeting, such as an agreement to provide prototypes of the new tubs and samples of the materials. There should also be a note of when and how any such action points have been implemented and the customers' responses, if any.

Sub-task (b)

Product failure

The likelihood of failure could be high because there is no immediate pressure to switch from plastic to paperboard tubs, which could discourage potential customers from making this change. Consumers are reluctant to recycle the existing plastic tubs, so it seems unlikely that they will be attracted by the offer of more sustainable packaging. The proposed new tubs will require customers to incur costs in order to adapt their production lines to the new tubs, which will require changes to handling and delivery to retailers. The only major commercial advantage lies in the possibility that governments will forbid the use of plastic food tubs because of concerns about the sustainability of single-use plastics. At present,

© CIMA 2026. No reproduction without prior consent

however, there is nothing more than a suspicion on the part of a director that this will be the case.

Continuing with the development of this product could lead to Cartn incurring significant costs that will have to be written off in the event that the new tubs are a commercial failure. Any costs that have been capitalised as development will have to be written off, along with any costs incurred during the financial year in which the failure occurs. Any such write-off will reduce operating profits and so will annoy the shareholders. Rival packaging manufacturers will be able to learn from Cartn's failed launch and might be able to create superior tubs at a later date when the need for more sustainable packaging emerges. The costs of failure could be compensated to some extent by the fact that Cartn is clearly working on the creation of more sustainable products, which might enhance its reputation.

© CIMA 2026. No reproduction without prior consent

TASK 3

Sub-task (a)

Currency

The effect of currency movements will have to be accounted for in accordance with IAS 21 *The effects of changes in foreign exchange rates.* Goodwill on acquisition will initially be determined as at the date of acquisition, using normal accounting conventions. The subsidiaries will provide statements of financial position as at the date of acquisition. The values of goodwill on acquisition, other assets and liabilities will be translated at the end of each accounting period. The changes in values that can be attributed to currency movements will be taken to Cartn's currency reserve as gains or losses on exchange.

Movements in the currency reserve will have no direct impact on Cartn's reported profits. The changes will be recognised as part of other comprehensive income in the statement of comprehensive income and in the statement of changes in equity. The subsidiaries' statements of profit or loss will be translated to H$ using the average exchange rate for the year. If we ignore the possibility that the subsidiaries' performance could be affected by currency movements, then changes in those averages could affect the value of operating profit that is incorporated into Cartn's consolidated statement of profit or loss. The volatility of the currency movements could suggest that rates will increase and decrease throughout the year and so the average rate might not be affected significantly.

The Cartn Group already has foreign subsidiaries that have created a debit balance on the Group currency reserve of H$14.7 million. Adding three further foreign subsidiaries will increase the potential exposure to currency movements, which might offset past losses or contribute to an increase. The shareholders should recognise the fact that movements on the currency reserve are neither beneficial nor harmful in themselves. The worst possible outcome would be for a further loss on this reserve to reduce equity to the point where gearing became an issue. Lenders might have imposed a restriction on the upper limit for gearing and a loss on currency could put Cartn in breach of any such covenant.

Sub-task (b)

Transfer prices

Paper fibre is a commodity that can be sold on world markets at observable market prices. That makes it easy to establish opportunity costs associated with intra group trading because it will be desirable for both subsidiaries to do business at the market price. It would avoid dysfunctional trading arising from the foreign subsidiaries selling paper fibre to third parties if market prices increase, leaving fellow subsidiaries without fibre. Using open market prices will also allow the subsidiaries to justify their trading activities to the tax authorities. Trades at artificial prices could be considered attempts to evade taxes by understating profits in the countries where tax rates were highest.

© CIMA 2026. No reproduction without prior consent

The coating is a new product for which there is no observable market price, due to the coating not being sold on the open market. The most logical basis for setting transfer prices would be to charge the Harrlandian subsidiaries at cost plus a percentage margin that would be specified by Head Office. The margin would mean that the foreign subsidiaries will receive some of the profit from the manufacture and eventual sale of the coating. Head Office can prevent the foreign subsidiaries from supplying anyone else by declaring that the coating is a proprietary profit that cannot be sold to third parties. Tax authorities will, hopefully, regard the fact that profit is being recognised in both jurisdictions as acceptable for their purposes.

© CIMA 2026. No reproduction without prior consent

TASK 4

Sub-task (a)

Integrated report

Cartn should start by protecting its new tubs using patents and trademarks, all of which can be declared as being part of intellectual capital. The new products will, hopefully, increase sales revenue and any legal protection for their features will prevent competitors from launching rival tubs. Cartn also has intellectual capital in terms of the knowledge of the manufacture of the new materials and their conversion to saleable goods. It might be difficult for competitors to reverse engineer the production process in order to create a viable alternative. Cartn's product development staff will also be able to continue to make improvements, based on their experience of making the original product, which should enable them to remain competitive.

Cartn has created social and relationship capital in the form of its collaboration with customers who use its packaging for butter and spreads. Both sides to this relationship can claim to have shared norms in the form of a desire to offer consumers sustainable products. The customers can promote their products on the basis of their use of biodegradable packaging. Cartn can provide data and technical information to support customers in the promotion of this packaging. Customers will require support from Cartn in order to ensure that they can use these new tubs effectively. They require a different technique for filling and so Cartn must provide its customers with additional support in order to make best use of the product.

The impact of the new tubs on natural capital is complicated. The new tubs do not require plastic because most of the materials are from paper fibre and the coating is extracted from wood pulp. They replace plastic tubs that were capable of being recycled, but that rarely were. It is unlikely that the new tubs will be recycled to a greater extent. The new tubs will, however, reduce the consumption of fossil fuels because of the replacement of plastic. The tubs will also biodegrade much more easily because they are essentially paper and wood products. They will occupy less volume in landfill sites as they disintegrate.

Sub-task (b)

Risks

Cartn will have to address product reputation risks by focussing largely on consumers' initial experience of using these new tubs. It will be important that they are attractive in appearance when stacked on supermarket shelves and appear to be capable of providing robust service. The tubs will have to withstand the handling that they will receive in consumers' homes, otherwise consumers will switch to rival brands in plastic tubs. Social media will ensure that any initial "disasters" with torn or crushed tubs will be well publicised and could lead to a disproportionate loss of business. Similarly, the new tubs could create problems if they are recycled incorrectly, perhaps contaminating paper for recycling by leaving a residue of butter or spread in the tubs.

© CIMA 2026. No reproduction without prior consent

Cartn should address this risk by being clear about the respective responsibilities of Cartn and its customers with regard to the launch of the new tubs. Any failure of the customers' production staff to make the necessary adjustments to their procedures could be blamed on Cartn, even if warnings were provided. There could be considerable consequential damage to customers if retailers do not handle the new tubs correctly and damage products. There could be concerns about the initial response to quality issues associated with the new tubs. Contracts may have to make allowances for the possibility of delays or the need to reject early batches because of quality issues.

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May & August 2026

EXAMINER REPORT

Contents

General expectations about the Management Case Study examination 3
Structure 3
Blueprint 3
Marking 3
General comments on the Management Case Study [May & August 2026] 5
The company 5
Overview of the Variants 5
Variant 1 6
Summary of Variant 1 blueprint coverage 10
Variant 2 11
Summary of Variant 2 blueprint coverage 15
Variant 3 16
Summary of Variant 3 blueprint coverage 20
Variant 4 21
Summary of Variant 4 blueprint coverage 25
Variant 5 26
Summary of Variant 5 blueprint coverage 30
Variant 6 31
Summary of Variant 6 blueprint coverage 35

General expectations about the Management Case Study examination

Structure

Each Management Case Study (MCS) examination consists of four tasks, each requiring 45 minutes of time and worth 25 marks in the marking guidance. Each task will give you new information about the company or its industry (either in the display screen or as an exhibit) and present you with two 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 40%, that equates to 40% of the time available for that task, or 18 minutes out of the total task time of 45 minutes.

Blueprint

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

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

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

Marking

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

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

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

General comments on the Management Case Study [May & August 2026]

The company

The MCS examinations for May 2026 and August 2026 were based on a pre-seen scenario relating to Cartn, a company that provides the food industry with retail packaging solutions. It does so both by manufacturing packaging materials and by designing and installing packaging facilities for food manufacturers.

Overview of the Variants

- Variant 1: Cartn has created a new form of packaging for meal kits that will enable manufacturers to sell fresh ingredients for next-day delivery.
- Variant 2: Cartn has delivered a defective batch of cartons that has led to a product recall by the food manufacturer who purchased that batch.
- Variant 3: Cartn will oversee a project to design and build a factory on behalf of a client.
- Variant 4: Cartn is developing packaging that will enable fast food restaurants to serve hot meals in a practical and appetising manner.
- Variant 5: Cartn is considering the creation of recycling centres equipped to deal with used cartons.
- Variant 6: Cartn is developing paper-based cartons that can be used to package butter and non-dairy spreads.

Variant 1

TASK 1					
The Board will have to be briefed on implementation issues.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How will a disruptive product interact with the business model?	60%	A - Analyse the impact of disruptive and digital operating business models in the context of digital ecosystems	tended to reflect some thought about the business model itself and the nature of the product that the customer has requested. For example, answers at this level often argued that Cartn has very little experience of working with specific components of the packaging product.	summarised the business model in a manner that did very little to address the requirement. Such a summary added little or no value, given that the business model had already been provided.
(b)	Should the project commence by seeking food manufacturers' interest or by developing the new packaging?	40%	B - recommend and apply suitable tools and techniques for managing risk and uncertainty in capital projects	identified one or other of the issues and identified criteria that could be used to justify that choice. These candidates had clearly realised that the most important thing was to justify the choice in a logical way.	tended to ignore the requirement and simply discussed both the technical and commercial issues. It was unclear whether that was due to a failure to read the question properly or a fear of recommending the "wrong" choice between technical and commercial.

TASK 2					
Risks and funding issues will have to be considered.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should the business risks associated with the new product be evaluated?	60%	C - Apply the techniques that quantify and present risk to stakeholders	provided realistic responses to the business risks. Some candidates achieved level 3 scores by applying TARA, but did so by recommending specific mitigation techniques that would achieve the outcome for the risk as suggested by the model.	described the risks in some detail, with little or no attempt to offer the mitigation that was asked for in the sub-task. Some candidates at this level focussed on the TARA framework, which was potentially useful. Unfortunately, candidates at this level applied TARA without explaining how a particular risk would be, say, avoided or transferred.
(b)	How should the development work be funded?	40%	B - Select suitable financing sources and explain the characteristics of the different types of funding	included the generic issues learned from study materials, but adapted those generic matters to relate them to the scenario. For example, lenders will usually seek security over the borrower's assets before a loan is granted. The borrowed funds will be invested in development work which will result in intellectual property that will have little or no value as collateral for a loan.	generally offered generic descriptions of the features of debt, making little attempt to reflect the circumstances arising from the scenario. Level 1 answers also tended to describe equity in addition to debt, despite the sub-task specifically asking for debt only.

TASK 3					
How will the R&D work be accounted for?					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What are the accounting implications of Cartn being unsure whether to launch this new product?	40%	D - Recommend appropriate accounting treatments and explain their implications for users of the financial statements	tended to offer slightly more detail on the implications for the H$35m invested in the current year and also discussed the issues that were relevant to the H$45m in the event that Cartn decides to proceed.	generally applied the standard to the H$35m spend during the current financial year, but failed to address the issues associated with the following financial year. Answers at this level answered on the basis that the H$45m will be invested regardless of whether the contract continues.
(b)	What are the challenges associated with setting optimal transfer prices for inter-company sales?	60%	E - Explain the behavioural and transfer pricing issues associated with internal trading	generally addressed the issue in much greater depth, bringing out the potential costs associated with removing staff from ongoing projects in other locations and the possibility that staff will be demotivated if they are forced to work in overseas offices, even on a temporary basis.	generally lacked detail in terms of the difficulties that would complicate the determination of opportunity costs.

TASK 4					
Accounting treatments have to be considered.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How might the balanced scorecard be used to plan the expansion of this product range?	60%	D - Select and apply suitable tools and techniques for managing risk and uncertainty associated with performance related issues	were generally detailed and relevant in terms of the goals that might be set in relation to each perspective. Candidates at this level generally reflected the business and its current situation in their answers.	were generally structured in a similar manner to those at level 3, but they tended to offer less detail. Those candidates could have improved their scores by offering more detail
(b)	How should the new product be accounted for in the integrated report?	40%	E - Explain the implications of Integrated Reporting for the reporting entity and its stakeholders	tended to offer detailed explanations of the disclosures that might be made under each heading.	generally offered less detail than good answers. As with the first sub-task, these candidates could have improved their scores by making additional relevant points.

Summary of Variant 1 blueprint coverage

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

Sub-task	Topic	Core activity					Total
		A:	**B:**	**C:**	**D:**	**E:**	
Task 1							
(a)	Business model	15					**15%**
(b)	Project team priorities		10				**10%**
Task 2							
(a)	Business risks		10				**10%**
(b)	Features of borrowing			15			**15%**
Task 3							
(a)	Accounting implications				10		**10%**
(b)	Opportunity cost					15	**15%**
Task 4							
(a)	Balanced scorecard				15		**15%**
(b)	Integrated report					10	**10%**
Variant totals		**15%**	**20%**	**15%**	**25%**	**25%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

Variant 2

TASK 1					
The buyers have requested compensation for the costs incurred.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How might the settlement with the customer be negotiated?	60%	E – Advise on the negotiation process	explained clearly the need to settle the matter quickly and as discreetly as possible and pointed out that Harzon would be likely to accept a reasonable offer rather than face court action and the accompanying publicity. Some answers were too focussed on trying to retain Harzon as a client and did not recognise the greater damage that adverse publicity could do to Cartn's reputation.	set out a general approach to negotiation rather than referring to the specific scenario.
(b)	How will the costs be accounted for?	40%	D – Select appropriate accounting treatments and explain their implications for users of the financial statements	correctly identified that the relevant accounting standard is IAS 37, that the H$40 million claim cannot be provided for because there is no accurate estimate, with a material difference between Harzon's claim of H$40 million and Cartn's estimate of H$25 million. This part of the claim should therefore be a contingent liability disclosed in the notes. The H$180 million is less likely, with Cartn's lawyers considering that court action will be unlikely to succeed. Therefore, no disclosure is needed.	provided advice which was less technically accurate and also less specific, often failing to differentiate between the treatment of the two claims.

TASK 2					
The Board wishes to know why quality procedures did not prevent this problem.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should TQM have prevented this problem?	60%	C - Identify and apply appropriate quality management techniques to enhance value	pointed out that the lack of procedure for shift changes and documentation of problems with the machinery indicates a lack of commitment to quality. They explained what steps should have been taken, such as checking the quality of initial output after the machine stoppage.	gave generic explanations of total quality management without applying them to this scenario, or stated that Cartn either could or could not claim to have complied without justifying their conclusion.
(b)	How can the effectiveness of the quality control department be evaluated?	40%	B - Recognise the characteristics of high performing teams	gave a clear evaluation of problems such as the difficulty in tracking quality failures, the need to use secondary measures such as staff training, and the need to investigate quality failures to check that problems are attributable to Cartn and not the client using the material.	did not focus sufficiently on the requirement, recommending performance measures rather than exploring the difficulties associated with setting them.

TASK 3					
A new process has been created that eliminates the need for the aluminium layer.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What are the challenges associated with determining the cash flows associated with the development of this new process?	60%	A - I can select appropriate capital investment appraisal techniques and apply them in order to support capital investment decisions, including product/ service development, digital transformation projects and acquisitions	gave a well-reasoned evaluation of issues such as the likelihood of customers being reluctant to commit to cartons made of the new material, the difficulty of predicting manufacturing costs which will depend on regular orders for the wood fibre, and the risk of price increases from suppliers who will recognise Cartn's dependency on their products.	provided general comments on NPV calculations, such as how to calculate a discount rate, rather than focussing on the difficulties with predicting cash flows as stated in the requirement
(b)	Would the creation of real options help evaluate this investment?	40%	B - Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle	gave well-justified recommendations for appropriate real options to consider, including the option to begin by only modifying a small number of factories, or to retain any equipment removed during the modification so that it could be restored if needed.	did not show a solid understanding of the meaning of the term real options.

TASK 4					
The Board seeks advice on the management and reporting of sustainability.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	Would it be acceptable to report the creation of the new process as a strengthening of sustainability when the motive for it was the reduction of operating costs?	60%	D – Support managers by recommending actions to improve financial performance and position and assessing how suggestions impact on the wider organisational ecosystem	recognised that the answer to this question is nuanced. The objective of the sustainability reports is to provide stakeholders with information, in the form of factual disclosures, which stakeholders can draw their own conclusions from. Cartn has to succeed both commercially and in terms of environmental responsibility, and the directors are free to emphasise positive results provided statements are not misleading. In addition, profitability and sustainability are linked; some customers choose products because they are sustainable, which increases profits.	gave quite scant discussion, drawing a firm conclusion that Cartn cannot emphasise environmental benefits if the product is being developed to enhance profits but not justifying this conclusion.
(b)	How might Cartn's R&D department be evaluated in terms of enhancing sustainability?	40%	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres	selected and justified appropriate indicators such as the number of new initiatives which will improve sustainability. Answers were well developed, exploring the need for new product proposals to consider sustainability, and the fact that accurate information may not be available until a new product is at a relatively late stage of development.	summarised performance indicators without considering whether they were appropriate to this scenario, or to the performance of the R&D department.

Summary of Variant 2 blueprint coverage

The percentages of marks available in the variant 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)	Negotiating settlement					15	**15%**
(b)	Accounting treatment				10		**10%**
Task 2							
(a)	TQM			15			**15%**
(b)	Difficulties in setting performance measures					10	**10%**
Task 3							
(a)	Cash flows	15					**15%**
(b)	Real options		10				**10%**
Task 4							
(a)	Sustainability report				15		**15%**
(b)	Performance indicators			10			**10%**
Variant totals		**15%**	**10%**	**25%**	**25%**	**25%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

Variant 3

TASK 1					
The Board is considering the initial investigation of this proposal.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What should be the remit of the project team created to investigate this proposal?	60%	B - Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle	discussed the project scope and established boundaries within which a team should operate; budget, objectives, timeframe, % involvement and roles of team members. This expanded with reasons allowed for team selection to be appropriate, reporting lines established clear goal setting, objectives defined and likely outcomes to enable progression or abandoning the proposal.	simply talked about team members and very basic team theory. Discussed team formation and role types. Failed to expand on reasoning for elements of the answer given. Gave options rather than recommendations. Did not answer the question asked and instead answered how the team should do the implementations rather than evaluate the proposal.
(b)	How should prices be set for this additional service?	40%	A - Explain which pricing strategies are appropriate	demonstrated an awareness of bundling and expanding on existing consultancy services offered, enabling a premium price to be applied. Also mentioned was the need for awareness of competitor response and the need to evolve the strategy according to market development.	tended to list types of pricing, often suggesting conflicting structures without giving reasons for application of the different strategies.

TASK 2					
The Board is concerned about risks to the business.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What business risks could arise from this proposal?	40%	D - Select and apply suitable tools and techniques for managing risk and uncertainty in business models	identified potential skill shortages on both teams and the need for close collaboration and project co-ordination between the teams. There was a lot of scope for Contractual Inadequacy; this was picked up by many with a need to document the project steps and process to be followed, clearly identifying responsibilities and ownership of each element which might go wrong.	gave unsubstantiated operational risks of “It might not work” or “might be late” without identifying possible causes. They also tended to be weak on contractual inadequacy, failing to identify multiple possible difficulties arising from the three-way relationship between equipment supplier, Luxsoup’s deinstallation team and Cartn’s installation team.
(b)	What is the impact of those risks on WACC?	60%	A - Explain the relevance of weighted average cost of capital	identified that movement was likely to be slight but positive as Cartn’s gearing is already quite low and increased cash flow should decrease cost of debt, as there is no need for additional investment.	tended to be very sparse, often making an assertion without any or with minimal reasoning. Quite a weak sub-task for many marginal scripts.

TASK 3					
A contract has been signed with a major customer. Production staff will have to be seconded to the consultancy/construction department.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should transfer prices be set in order to ensure that staff secondments occur in a manner that is optimal for Cartn?	60%	E - Explain the behavioural and transfer pricing issues associated with internal trading	gave basic factual interpretation of the causes of conflict, realising that dysfunctional behaviour will arise because both areas are profit goaled. Many argued both sides well, highlighting that opportunity cost will depend on the dynamics which occur in regular maintenance activities impacting availability. Also identifying that there is a need for a settled and motivated team carrying out the installation work.	tended to be very sparse, often failing to identify challenges as requested and instead giving more generic transfer pricing theory. They also made assertions without any or with minimal reasoning.
(b)	How should the motivation and engagement of seconded staff be managed?	40%	C - Analyse the processes needed to ensure employee engagement, empowerment and alignment to enhance individual and team performance	demonstrated good application here; better scripts involve early consultation and direct communication with staff, getting buy in, exposing and understanding perceived difficulties and then following through with suggestions to address or resolve those issues.	tended to give a list of incentives. Often, answers failed to mention any real communication with impacted staff, mostly indicating “telling” them and potentially giving a cash or similar incentive, inducement.

TASK 4					
The contract is under way.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should revenue from the contract be accounted for?	40%	D - Select appropriate accounting treatments and explain their implications for users of the financial statements	quickly identified IFRS 15, revenue from contracts with customers, as the guidance needed to establish revenue recognition in the period. Even if the IFRS was not mentioned, many correctly detailed the essentials of the standard and therefore correctly allocated H$14M in 27 and the remaining H$8M in 28 with the retention of H$1M being conditional on the absence of defect before 30th June.	were very brief or missed answering altogether. Lack of detailed knowledge was often evident. Many allocated funds without any justification, sometimes completely incorrectly.
(b)	How can quality be managed?	60%	C - Identify and apply appropriate quality management techniques to enhance value	demonstrated some knowledge of TQM. Better answers expanded on recommendations with underlying reasons. Anticipate next steps, verify skills, training and documentation, communication, inspect on delivery, check assumptions, verify compatibility, verify functional operation, test transition from old to new. There was plenty of material to choose from. Better answers highlighted the need to take every lesson learnt into the ongoing evolution of current and future processes to effect continuous improvement.	showed some TQM awareness; but often gave a simple or short list without reasons, prioritisation or temporal awareness. Some gave simple TQM theory without any reference to the scenario.

Summary of Variant 3 blueprint coverage

The percentages of marks available in the variant 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)	Project team		15				**15%**
(b)	Pricing strategy	10					**10%**
Task 2							
(a)	Business risks				10		**10%**
(b)	Weighted average cost of capital	15					**15%**
Task 3							
(a)	Transfer prices					15	**15%**
(b)	Motivation and engagement			10			**10%**
Task 4							
(a)	Accounting treatment				10		**10%**
(b)	TQM			15			**15%**
Variant totals		**25%**	**15%**	**25%**	**20%**	**15%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

Variant 4

TASK 1					
The Board wishes to launch a new range of containers for fast food restaurants that wish to sell meals such as pasta or curry.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	Will working with restaurants on product design have an impact on Cartn's business model?	60%	A - Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems	focused on the specifics of Cartn's business model and linked those to the proposal to work with fast food chains in the development of the new packaging for meals. These answers tended to pick out the particular aspects of the business model that would be affected most.	tended to describe Cartn's existing business model, with little recognition of the commercial implications of developing the new containers. These answers lacked commercial awareness.
(b)	How might stress testing be a useful means of evaluating the risk of this development?	40%	D - Select and apply suitable tools and techniques for managing risk and uncertainty in business models	reflected the potential usefulness of stress testing, paying appropriate attention to the need to consider consumer demand for fast food. Good answers recognised that Cartn will have to rely on food vendors for its revenue.	tended to offer examples of the application of stress testing without discussing the usefulness of the results in any detail. A greater focus on the requirement would have helped.

TASK 2					
A company that owns suitable designs might be acquired.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What are the challenges associated with determining the goodwill on acquisition?	60%	E - Explain the financial reporting implications of additions to the group	generally recognised that Cartn would have to determine the fair values of the acquisition target's net assets. These answers picked up the specific challenges of valuing patents, factory buildings and so on.	were very weak in terms of the technical understanding of goodwill. Answers at this level often talked about the difficulty associated with valuing the acquisition target itself, ignoring the fact that goodwill is based on the value implied by the consideration paid for the acquisition.
(b)	How might the retention of the acquisition target's founder in a senior role create conflict within Cartn?	40%	B - Recognise the characteristics of high performing teams	reflected the information provided in the exhibit, picking out the founder's motivation and the possibility that it could lead to the demotivation of Cartn's existing design staff.	ignored the specifics of the founder's proposal. Answers at this level failed to recognise the implications that the founder's request might have for Cartn.

TASK 3					
Initial designs are being trialled with potential customers.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What are the challenges associated with re-engineering the manufacture of the new product range?	60%	C - Identify and apply appropriate quality management techniques to enhance value	demonstrated an awareness of the factors that might need to be changed in order to mass produce the new tubs. Answers at this level often identified the implications of the new product for both plant and equipment and the production staff who will have to adapt to the new product.	failed to recognise the need for re-engineering in order to successfully manufacture the new product. Answers were generally weak at a technical level because they failed to demonstrate an awareness of what is meant by re-engineering.
(b)	How might business risks associated with the new range be minimised?	40%	B - Select and apply suitable tools and techniques for managing risk and uncertainty in capital projects	reflected the nature of the terms of any contract that Cartn is likely to have signed with Meelreddy. Good answers then developed arguments based on the possibility that the terms might be breached, perhaps due to ignorance caused by the design of the new product.	tended to overlook the fact that the contract with Meelreddy might not address the areas in which a lack of clarity could lead to conflict. For example, concerns about product quality or delivery deadlines might have been overlooked when the contract was negotiated. Poor answers tended to overlook the nature of contractual inadequacy risk.

TASK 4					
Some restaurant customers claim to have been scalded by food served in the new containers.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should the claim be accounted for?	60%	D - Select appropriate accounting treatments and explain their implications for users of the financial statements	recognised that each element of the claim against Cartn should be addressed separately and could have a different treatment in compliance with the requirements of IAS 37. Good answers tended to address each element of the claim in a clear and technically correct manner.	generally failed to apply the requirements of IAS 37. Combining the separate elements of the claim often led to a failure to comply with the relevant accounting standard.
(b)	How might transfer prices be set for the manufacture of superior quality products for use with hot drinks and other high-risk foods?	40%	E - Explain the behavioural and transfer pricing issues associated with internal trading	identified the challenges that are likely to lead to dysfunctional behaviour in the setting of transfer prices. Good answers took care to evaluate those challenges, highlighting the extent to which they could be overcome.	described the nature of the dysfunctional behaviour, with potentially valuable inventory lying unused. Answers at this level generally failed to explain why such behaviour could occur.

Summary of Variant 4 blueprint coverage

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

Sub-task	Topic	Core activity					Total
		A:	**B:**	**C:**	**D:**	**E:**	
Task 1							
(a)	Business model	15					**15%**
(b)	Stress testing				10		**10%**
Task 2							
(a)	Goodwill					15	**15%**
(b)	Conflicts		10				**10%**
Task 3							
(a)	Re-engineering production			15			**15%**
(b)	Contractual inadequacy risks		10				**10%**
Task 4							
(a)	Accounting treatment				15		**15%**
(b)	Difficulties					10	**10%**
Variant totals		**15%**	**20%**	**15%**	**25%**	**25%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

Variant 5

TASK 1					
Cartn is considering establishing carton recycling plants.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What are the challenges associated with evaluating the interests of stakeholders in the proposal?	60%	A - Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems	made a good choice of stakeholders to discuss and focused on evaluating the challenges associated with understanding their interests rather than giving a general discussion about why they are important stakeholders.	selected three very similar stakeholders, for example, three Board members. Did focus on evaluating the challenges associated with understanding their interests, often not going beyond identifying and describing each stakeholder.
(b)	What are the challenges associated with determining whether this investment would have a positive net present value?	40%	B - Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle	identified key elements of the NPV input which would be challenging to determine and explained these. For example, predicting the quantities of usable scrap cartons which will be recovered and the risk that local governments might withdraw from these arrangements.	described the process of determining a net present value such as estimating timescales, income, expenditure and discount rate. Did not address challenges with this specific calculation.

TASK 2					
The Board has decided to proceed with the development of the new material.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What are the challenges associated with setting overall project objectives?	40%	B - Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle	provided a clear evaluation of the constraints which recognised the links between them, for example the risk of reputational damage linked to material dumped in landfill due to quality issues, and the potential time pressure arising from government threats to ban the use of cartons.	explained time cost and quality in generic terms but did not refer to the specific scenario presented by the case study.
(b)	What are the challenges associated with setting target costs for the new recycling centres?	60%	C - Identify and apply value management techniques to enhance value	provided specific advice on the use of target costing to decide on the investment, including the impact of the investment on operating costs, the percentage of materials to be recovered in order to protect Cartn's reputation and the relationship between the costs to be paid and the materials that will be recovered.	described target costing but did not apply this to the specific requirement and the need to decide on the investment in recycling centres.

TASK 3					
The Board is concerned about business risks. A joint venture has been established with a potential buyer for scrap material from recycling.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should the business risks associated with the new material be managed?	60%	D - Select and apply suitable tools and techniques for managing risk and uncertainty associated with performance related issues	discussed each of the three risks presented, explaining the risk, its potential impact and how it might be addressed and mitigated. Valid points included office furniture made from recycled plastic being potentially unattractive and hard to sell, Cartn having no experience of producing plastic, and the difficulty in constructing a contract which would cover all the complexities of the relationship between Cartn and Dence.	only addressed one or two of the three risks asked for. Discussed the risks without the depth of analysis needed to give meaningful advice to the Board
(b)	What are the accounting implications of the joint venture that will be established to supply scrap plastic?	40%	E - Explain the financial reporting implications of additions to the group	provided accurate advice on the accounting treatment of the investment, recognising that it should be based on the equity method of accounting and explaining clearly how this should be reflected in the financial statements of the Cartn Group.	showed poor technical knowledge, for example, stating that the joint venture should be treated as a subsidiary.

TASK 4					
The product has been launched.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should the new material be reported in the integrated report?	60%	E - Explain the implications of Integrated Reporting for the reporting entity and its stakeholders	showed good understanding of integrated reporting, providing specific recommendations for the scrap plastic sales, including the manufacturing capabilities provided by the recycling centres, the relationships between Cartn and the buyers of recovered plastic and the enhanced sustainability arising from diverting materials which would have been dumped in landfill.	showed a lack of technical knowledge regarding the meaning of manufactured, social and relationship, and natural capitals. For example, some interpreted manufactured capital as equity and compared it to debt.
(b)	How should the new material be priced?	40%	A - Explain which pricing strategies are appropriate	provided well-reasoned recommendations for an appropriate pricing strategy including consideration of the current lack of direct competition, the need for a margin in excess of cost and the benefits of deterring rivals from entering the business.	provided a list of pricing methods and recommended one without any justification or reasoning.

Summary of Variant 5 blueprint coverage

The percentages of marks available in the variant 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	15					**15%**
(b)	Challenges		10				**10%**
Task 2							
(a)	Project constraints		10				**10%**
(b)	Target costing			15			**15%**
Task 3							
(a)	Risk				15		**15%**
(b)	Accounting treatment					10	**10%**
Task 4							
(a)	Integrated report					15	**15%**
(b)	Pricing strategy	10					**10%**
Variant totals		**25%**	**20%**	**15%**	**15%**	**25%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	

Variant 6

TASK 1					
The Board is considering whether to develop a new range of paper containers that will contain butter and non-dairy spreads.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	What factors will affect Cartn's ability to sell this product at a premium price?	60%	Explain which pricing strategies are appropriate.	answered the question asked! Identified several factors given in the executive summary which highlighted "one of our most important product ranges"; appearance, sustainability, robustness, recyclability, cost to produce, competition, etc. Better candidates expanded on those with reasons as requested and sometimes prioritised these against objectives and possible hindrances to acceptability, customer retention and market share. Some very well considered answers here directly feeding from the scenario.	did not answer the question asked and instead focused entirely on pricing theory, giving a variety of suggested possible strategies with minimal or no consideration of the factors involved. Poor answers often failed to directly draw from the scenario.
(b)	What background should the leader of the team responsible for the design work have?	40%	Identify the key project personnel, explain their responsibilities and set appropriate performance measures.	some very good answers here demonstrating an awareness of possible conflicts and the need for a good mix of expertise. Best answers considered each of the disciplines giving points for and against then came to a recommendation based on those reasons given. There was no uniquely correct answer here, good candidates provided reasons for their recommendation.	poor answers often simply recommended one party without considering the others, also giving only simple, one sided or sparse reasoning.

TASK 2					
The development work on the new product continues.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should the project team's performance be evaluated?	60%	Recognise the characteristics of high performing teams	showed awareness of all the complex factors provided in the scenario to provide the Board with meaningful data on the project. Monthly project team meeting minutes with executive summaries; participation levels, progress and issues experienced, funds expended against targets, variance analysis, plan progress and more. There was a lot of material available here; what was important was showing preparation for successful launch by early and timely identification of any issues.	tended to give rather sparse answers where any indicators given were not well expanded with reasons. Such answers often entirely missed any aspect of customer liaison. Some also simply gave theory on Gantt charts or other project tracking tools.
(b)	Are concerns that the product will fail justified?	40%	Apply the techniques that quantify and present risk to stakeholders	showed awareness of market pressures or the lack of incentive for customers to change apart from the possible government ban on use of plastic. Good answers also considered the cost of trailblazer efforts and development costs which may be circumvented by competition at a later date. Good answers also provided details of the need for writing off any capitalised development costs and ongoing expenditure should the product fail.	tended to simply dismiss the possibility of failure or failed to consider any impact such failure might have.

TASK 3					
Cartn is considering establishing foreign subsidiaries to manufacture the new product.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How will currency movements affect Cartn's financial statements?	60%	Select appropriate accounting treatments and explain their implications for users of the financial statements	demonstrated clear knowledge of the subject area, picking up on many factors available for discussion. IAS21. Good answers discussed volatility, rates go up and down and the average is important. Subsidiary P&L calculated at the average exchange rate for the period. Slight risk that currency reserve might change overall equity position and affect gearing and lender covenants.	were both sparse and vague. This is not a strong area for some marginal candidates. Some gave somewhat random answers discussing hedging tools and minority interest calculations.
(b)	How should transfer prices be organised for the new product?	40%	Explain the behavioural and transfer pricing issues associated with internal trading	demonstrated good application here. Better scripts showed awareness of profit centre pressures and the need to meet all parties' expectations. Plenty of good correct answers here, picking up on opportunity cost, marketplace or arm's length pricing to conform with tax authorities, noting potential differences in opportunity cost based on available or maximised capacity at each of the subsidiaries.	tended to give generic theory on transfer pricing, often giving different possibilities without any justification or proper reference to the scenario presented.

TASK 4					
The new product is close to being launched.					
Sub-task		**% time**	**Core activity**	**Good answers for this sub-task often:**	**Poor answers for this sub-task often:**
(a)	How should the new product be reflected in the integrated report?	60%	Explain the implications of Integrated Reporting for the reporting entity and its stakeholders	had well developed answers. This was shown particularly in recognition of the need to protect patents and trademarks and to discuss close engagement with customers, collaborating with them on product developments to meet their requirements. Natural capital is enhanced as the need for recycling is reduced through the absence of plastic. New biodegradable products enhance sustainability.	failed to recognise patents and trademarks as intellectual capital. Failed to recognise the importance of customer relationship and collaboration as part of social and relationship capital. Mentioned but failed to expand on the reduced use of plastics and the environmental impacts.
(b)	How should the business risks associated with the new product be managed? (the cartons require care in production by spread manufacturers)	40%	Apply the techniques that quantify and present risk to stakeholders	tended to focus on preparation for launch with customer liaison about the correct implementation of the use of the new product, managing the attractiveness of the offer on the shelves and highlighting the benefits to the environment. Also, the need for close attention to pilot and early adopter customer support. Prompt action on any and all incidents, including managing social media. Contractual inadequacy risk was highlighted by good candidates by being managed through detailed, agreed definition of respective responsibilities and defined adherence to training and familiarisation with any new aspects of equipment in use.	tended to be rather short and failed to identify the importance of preparation for product launch or the need for prompt follow-up on any issues raised. Poor answers often suggested that issuing a written denial of responsibilities, resolves possible involvement in the resolution of any issue.

Summary of Variant 6 blueprint coverage

The percentages of marks available in the variant 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)	Pricing	15					**15%**
(b)	Team leader background		10				**10%**
Task 2							
(a)	Performance indicators		15				**15%**
(b)	Product failure			10			**10%**
Task 3							
(a)	Currency				15		**15%**
(b)	Transfer prices					10	**10%**
Task 4							
(a)	Integrated report					15	**15%**
(b)	Risks			10			**10%**
Variant totals		**15%**	**25%**	**20%**	**15%**	**25%**	**100%**
Blueprint weightings		***15-25%***	***15-25%***	***15-25%***	***15-25%***	***15-25%***	



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May & August 2026 - VARIANT 1

MARKING GUIDANCE

Contents

Management Case Study Examination 1
Variant 1 3
About this Marking Guidance 3
General marking guidance 3
How to use this levels-based marking scheme 3
Summary of the core activities tested within each sub-task 5
TASK 1 6
TASK 2 7
TASK 3 8
TASK 4 9

© CIMA 2026. No reproduction without prior consent

Variant 1

About this Marking Guidance

This Marking Guidance has been prepared for variant 1 of the CGMA Management Case Study.

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

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

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

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

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

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

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

- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.

© CIMA 2026. No reproduction without prior consent

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

3. Select a mark within the level

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

© CIMA 2026. No reproduction without prior consent

Summary of the core activities tested within each sub-task

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

© CIMA 2026. No reproduction without prior consent

TASK 1

TASK 1			
Sub-task (a) Evaluate the consistency of this proposal with Cartn's business model			
Trait			
Define and create value	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1-2
	Level 2	Describes consistency	3-5
	Level 3	Evaluates consistency	6-8
Deliver and capture value	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1-2
	Level 2	Describes consistency	3-5
	Level 3	Evaluates consistency	6-7
Sub-task (b) Recommend, stating reasons, whether the project team should focus initially on the technical difficulties associated with the design work or the commercial aspects of recovering Cartn's initial investment			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with reasons	4-5
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with reasons	4-5

© CIMA 2026. No reproduction without prior consent

TASK 2

TASK 2			
Sub-task (a) Recommend with reasons mitigations for the commodity price risk, the product risk and the contractual inadequacy risk that Mario refers to in his email			
Trait			
Commodity price risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Recommends approach	2-3
	Level 3	Recommends approach with reasons	4-5
Product risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Recommends approach	2-3
	Level 3	Recommends approach with reasons	4-5
Contractual inadequacy risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Recommends approach	2-3
	Level 3	Recommends approach with reasons	4-5
Sub-task (b) Identify and evaluate the features of borrowing that would affect its suitability for raising the H$80 million required by Cartn to finance the development of the new packaging			
Trait			
1st feature	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies feature	1
	Level 2	Evaluates feature	2-3
	Level 3	Evaluates feature with justification	4-5
2nd feature	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies feature	1
	Level 2	Evaluates feature	2-3
	Level 3	Evaluates feature with justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 3

TASK 3			
Sub-task (a) Advise the Board on the accounting implications for Cartn in relation to the years ended 31 March 2027 and 2028 arising from Luxsoup's threat to withdraw from its arrangement to purchase the packaging that is under development			
Trait			
2027	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	IAS 38	1
	Level 2	Applies IAS to scenario	2-3
	Level 3	Applies IAS to scenario with justification	4-5
2028	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	IAS 38	1
	Level 2	Applies IAS to scenario	2-3
	Level 3	Applies IAS to scenario with justification	4-5
Sub-task (b) Identify and evaluate the difficulties associated with determining the opportunity costs of seconding expert design staff to the Harrlandian consultancy office			
Trait			
1st difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2nd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
3rd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 4

TASK 4			
Sub-task (a) Recommend with reasons goals that could be set for our Product Development Department in relation to the balanced scorecard perspectives of learning and growth, customer, financial and internal business process			
Trait			
1st perspective	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes perspective	1
	Level 2	Recommends goal	2-3
	Level 3	Recommends goal with reasons	4
2nd perspective	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes perspective	1
	Level 2	Recommends goal	2-3
	Level 3	Recommends goal with reasons	4
3rd perspective	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes perspective	1
	Level 2	Recommends goal	2-3
	Level 3	Recommends goal with reasons	4
4th perspective	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes perspective	1
	Level 2	Recommends goal	2
	Level 3	Recommends goal with reasons	3
Sub-task (b) Recommend with reasons the treatment of this new packaging product under the intellectual capital and social and relationship capital headings of our integrated report			
Trait			
Intellectual capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with justification	4-5
Social and relationship capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with justification	4-5

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May & August 2026 – VARIANT 2

MARKING GUIDANCE

Contents

Management Case Study Examination 1
Variant 2 3
About this Marking Guidance 3
General marking guidance 3
How to use this levels-based marking scheme 3
Summary of the core activities tested within each sub-task 5
TASK 1 6
TASK 2 7
TASK 3 8
TASK 4 9

© CIMA 2026. No reproduction without prior consent

Variant 2

About this Marking Guidance

This Marking Guidance has been prepared for variant 1 of the CGMA Management Case Study.

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

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

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

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

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

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.

© CIMA 2026. No reproduction without prior consent

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

3. Select a mark within the level

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

© CIMA 2026. No reproduction without prior consent

Summary of the core activities tested within each sub-task

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

© CIMA 2026. No reproduction without prior consent

TASK 1

TASK 1			
Sub-task (a) Recommend with reasons the approach that we should take and the main issues that we should consider when negotiating a settlement with Harzon Juice			
Trait			
1st step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes step	1
	Level 2	Recommends step	2-3
	Level 3	Recommends step with reasons	4-5
2nd step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1
	Level 2	Describes consistency	2-3
	Level 3	Evaluates consistency	4-5
3rd step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1
	Level 2	Describes consistency	2-3
	Level 3	Evaluates consistency	4-5
Sub-task (b) Recommend with reasons the accounting treatment of the claim in Cartn's financial statements for the year ended 31 March 2027			
Trait			
Expenses claim	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Refers to IAS 37	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with reasons	4-5
Reputation claim	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes accounting issue	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with reasons	4-5

© CIMA 2026. No reproduction without prior consent

TASK 2

TASK 2			
Sub-task (a) Evaluate the argument that Cartn cannot claim to have complied with total quality management (TQM) procedures in relation to the Harzon Juice order			
Trait			
1st argument (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes argument	1
	Level 2	Evaluates argument	2-3
	Level 3	Evaluates argument with justification	4-5
2nd argument (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes argument	1
	Level 2	Evaluates argument	2-3
	Level 3	Evaluates argument with justification	4-5
3rd argument (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes argument	1
	Level 2	Evaluates argument	2-3
	Level 3	Evaluates argument with justification	4-5
Sub-task (b) Identify and evaluate the difficulties associated with setting effective performance measures for Cartn's Product Quality Department			
Trait			
1st difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4
2nd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2
	Level 3	Evaluates difficulty with justification	3
3rd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2
	Level 3	Evaluates difficulty with justification	3

© CIMA 2026. No reproduction without prior consent

TASK 3

TASK 3			
Sub-task (a) Identify and evaluate the difficulties associated with predicting the cash flows associated with the development and manufacture of the new packaging material			
Trait			
1st cash flow	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2nd cash flow	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
3rd cash flow	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
Sub-task (b) Recommend with reasons the real options that Cartn's Board should consider in the evaluation of the proposed investment in this new packaging			
Trait			
1st real option	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies option	1
	Level 2	Recommends option with reasons	2-3
	Level 3	Recommends option with reasons and justification	4-5
2nd real option	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies option	1
	Level 2	Recommends option with reasons	2-3
	Level 3	Recommends option with reasons and justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 4

TASK 4			
Sub-task (a) Explain whether it is acceptable for Cartn's sustainability report to emphasise the environmental benefits of a new product that is clearly being developed in order to enhance our profitability			
Trait			
1st argument (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Explains issue	2-3
	Level 3	Explains issue with justification	4-5
2nd argument (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Explains issue	2-3
	Level 3	Explains issue with justification	4-5
3rd argument (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Explains issue	2-3
	Level 3	Explains issue with justification	4-5
Sub-task (b) Recommend with reasons the performance indicators that could be used to encourage the R&D Department to consider sustainability in the development of future products and manufacturing processes			
Trait			
1st indicator	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes indicator	1
	Level 2	Recommends indicator with reasons	2-3
	Level 3	Recommends indicator with reasons and justification	4-5
2nd indicator	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes indicator	1
	Level 2	Recommends indicator with reasons	2-3
	Level 3	Recommends indicator with reasons and justification	4-5

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May & August 2026 – VARIANT 3

MARKING GUIDANCE

Contents

Management Case Study Examination 1
Variant 3 3
About this Marking Guidance 3
General marking guidance 3
How to use this levels-based marking scheme 3
Summary of the core activities tested within each sub-task 5
TASK 1 6
TASK 2 7
TASK 3 8
TASK 4 9

© CIMA 2026. No reproduction without prior consent

Variant 3

About this Marking Guidance

This Marking Guidance has been prepared for variant 1 of the CGMA Management Case Study.

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

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

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

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

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

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.

© CIMA 2026. No reproduction without prior consent

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

3. Select a mark within the level

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

© CIMA 2026. No reproduction without prior consent

Summary of the core activities tested within each sub-task

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

© CIMA 2026. No reproduction without prior consent

TASK 1

TASK 1			
Sub-task (a) Recommend with reasons the steps that should be taken in order to establish a project team to evaluate this proposal			
Trait			
1st step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes step	1
	Level 2	Recommends step	2-3
	Level 3	Recommends step with reasons	4-5
2nd step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1
	Level 2	Describes consistency	2-3
	Level 3	Evaluates consistency	4-5
3rd step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1
	Level 2	Describes consistency	2-3
	Level 3	Evaluates consistency	4-5
Sub-task (b) Recommend with reasons an appropriate pricing strategy for the revised consultancy service proposed by Marketing			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies pricing strategy	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with reasons	4-5
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issue relating to strategy	1
	Level 2	Develops argument for strategy	2-3
	Level 3	Develops argument for strategy with justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 2

TASK 2			
Sub-task (a) Identify and evaluate the operational risks and contractual inadequacy risks that might arise if we provide Luxsoup with the comprehensive service described by Polly			
Trait			
Operational risks	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Contractual inadequacy risks	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Sub-task (b) Evaluate whether an announcement that Cartn has been awarded the comprehensive Luxsoup contract is likely to increase or decrease Cartn's weighted average cost of capital (WACC)			
Trait			
Debt	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies change in cost of debt	1
	Level 2	Evaluates change in cost of debt	2-3
	Level 3	Evaluates change in cost of debt with justification	4-5
Equity	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies change in cost of equity	1
	Level 2	Evaluates change in cost of equity	2-3
	Level 3	Evaluates change in cost of equity with justification	4-5
Weighting	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies change in weighting	1
	Level 2	Evaluates change in weighting	2-3
	Level 3	Evaluates change in weighting with justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 3

TASK 3			
Sub-task (a) Identify and evaluate the challenges associated with setting transfer prices for the secondment of factory maintenance engineers to the Consultancy Department during the installation phase of the Luxsoup contract in order to encourage secondments that would benefit Cartn as a whole			
Trait			
1st challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
2nd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
3rd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
Sub-task (b) Recommend with reasons the ways in Cartn can manage the motivation and engagement of factory staff whom it wishes to second to the installation phase of the Luxsoup contract			
Trait			
1st approach	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends approach	1
	Level 2	Recommends approach with reasons	2-3
	Level 3	Recommends approach with reasons and justification	4-5
2nd approach	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends approach	1
	Level 2	Recommends approach with reasons	2-3
	Level 3	Recommends approach with reasons and justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 4

TASK 4			
Sub-task (a) Recommend with reasons the accounting treatment of the Luxsoup contract for the financial years ended 31 March 2027 and 2028			
Trait			
Recommendations	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes treatment of performance obligations	1
	Level 2	Recommends treatment of performance obligations	2-3
	Level 3	Recommends treatment of performance obligations in detail	4-5
Reasons	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Refers to IFRS 15	1
	Level 2	Applies IFRS 15 principles	2-3
	Level 3	Applies IFRS 15 principles with justification	4-5
Sub-task (b) Recommend with reasons the ways in which the concepts underlying total quality management (TQM) might be incorporated into Cartn's work on Luxsoup's packaging equipment			
Trait			
1st concept	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies concept	1
	Level 2	Applies concept	2-3
	Level 3	Applies concept with justification	4-5
2nd concept	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies concept	1
	Level 2	Applies concept	2-3
	Level 3	Applies concept with justification	4-5
3rd concept	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies concept	1
	Level 2	Applies concept	2-3
	Level 3	Applies concept with justification	4-5

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May & August 2026 – VARIANT 4

MARKING GUIDANCE

Contents

Management Case Study Examination 1
Variant 4 3
About this Marking Guidance 3
General marking guidance 3
How to use this levels-based marking scheme 3
Summary of the core activities tested within each sub-task 5
TASK 1 6
TASK 2 7
TASK 3 8
TASK 4 9

© CIMA 2026. No reproduction without prior consent

Variant 4

About this Marking Guidance

This Marking Guidance has been prepared for variant 1 of the CGMA Management Case Study.

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

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

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

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

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

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.

© CIMA 2026. No reproduction without prior consent

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

3. Select a mark within the level

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

© CIMA 2026. No reproduction without prior consent

Summary of the core activities tested within each sub-task

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

© CIMA 2026. No reproduction without prior consent

TASK 1

TASK 1			
Sub-task (a) Evaluate the argument that working with fast food restaurants in the development of these tubs will be consistent with Cartn's business model			
Trait			
Define and create value	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1-2
	Level 2	Describes consistency	3-5
	Level 3	Evaluates consistency	6-8
Deliver and capture value	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines aspect	1-2
	Level 2	Describes consistency	3-5
	Level 3	Evaluates consistency	6-7
Sub-task (b) Evaluate the usefulness of stress testing the vulnerability of fast food restaurants to changes in consumers' economic wellbeing in order to assist in predicting demand for Cartn's new range of tubs			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Evaluates usefulness	2-3
	Level 3	Evaluates usefulness with justification	4-5
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Evaluates usefulness	2-3
	Level 3	Evaluates usefulness with justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 2

TASK 2			
Sub-task (a) Identify and evaluate the difficulties associated with determining the goodwill that will arise if Cartn proceeds with its acquisition of Cardboal			
Trait			
1st difficulty (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2nd difficulty (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
3rd difficulty (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
Sub-task (b) Identify and evaluate the potential conflicts that might arise from granting Cardboal's founder's requests			
Trait			
1st conflict	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies conflict	1
	Level 2	Evaluates conflict	2-3
	Level 3	Evaluates conflict with justification	4-5
2nd conflict	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies conflict	1
	Level 2	Evaluates conflict	2-3
	Level 3	Evaluates conflict with justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 3

TASK 3			
Sub-task (a) Recommend with reasons the work that Cartn should undertake to re-engineer its production process to enable the manufacture of the new tubs for sale to Meelreddy			
Trait			
1st recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies recommendation	1
	Level 2	Makes recommendation with reasons	2-3
	Level 3	Makes recommendation with reasons and justification	4-5
2nd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies recommendation	1
	Level 2	Makes recommendation with reasons	2-3
	Level 3	Makes recommendation with reasons and justification	4-5
3rd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies recommendation	1
	Level 2	Makes recommendation with reasons	2-3
	Level 3	Makes recommendation with reasons and justification	4-5
Sub-task (b) Evaluate the contractual inadequacy risks arising from Cartn agreeing to supply Meelreddy with this new tub and recommend with reasons ways in which Cartn might mitigate those risks			
Trait			
1st risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with mitigation	4-5
2nd risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with mitigation	4-5

© CIMA 2026. No reproduction without prior consent

TASK 4

TASK 4			
Sub-task (a) Recommend with reasons the accounting treatments in the financial statements for the year ended 31 Match 2027 of the claims made against Cartn by Meelreddy and of the H$3 million to be paid by Cartn			
Trait			
1st claim	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies IAS 37	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
2nd claim	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
3rd claim	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
Sub-task (b) Identify and evaluate the difficulties associated with setting transfer prices for these tubs that would encourage internal sales that would benefit Cartn as a whole.			
Trait			
1st difficulty (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2nd difficulty (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May & August 2026 – VARIANT 5

MARKING GUIDANCE

Contents

Management Case Study Examination 1
Variant 5 3
About this Marking Guidance 3
General marking guidance 3
How to use this levels-based marking scheme 3
Summary of the core activities tested within each sub-task 5
TASK 1 6
TASK 2 7
TASK 3 8
TASK 4 9

© CIMA 2026. No reproduction without prior consent

Variant 5

About this Marking Guidance

This Marking Guidance has been prepared for variant 1 of the CGMA Management Case Study.

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

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

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

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

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

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.

© CIMA 2026. No reproduction without prior consent

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

3. Select a mark within the level

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

© CIMA 2026. No reproduction without prior consent

Summary of the core activities tested within each sub-task

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

© CIMA 2026. No reproduction without prior consent

TASK 1

TASK 1			
Sub-task (a) Identify the three main stakeholders in Cartn's decision to proceed with this proposal and evaluate the challenges associated with understanding their interests			
Trait			
1st stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Evaluates challenges	2-3
	Level 3	Evaluates challenges with justification	4-5
2nd stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Evaluates challenges	2-3
	Level 3	Evaluates challenges with justification	4-5
3rd stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Evaluates challenges	2-3
	Level 3	Evaluates challenges with justification	4-5
Sub-task (b) Evaluate the challenges associated with deciding whether Cartn's investment in the recycling centres would have a positive net present value			
Trait			
1st challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4
2nd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2
	Level 3	Evaluates challenge with justification	3
3rd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2
	Level 3	Evaluates challenge with justification	3

© CIMA 2026. No reproduction without prior consent

TASK 2

TASK 2			
Sub-task (a) Evaluate the impact of the constraints of time, cost and quality that the Board should set for the project team's work			
Trait			
Time	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes constraint	1
	Level 2	Evaluates impact	2
	Level 3	Evaluates impact with justification	3
Cost	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes constraint	1
	Level 2	Evaluates impact	2
	Level 3	Evaluates impact with justification	3
Quality	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes constraint	1
	Level 2	Evaluates impact	2-3
	Level 3	Evaluates impact with justification	4
Sub-task (b) Recommend with reasons the use that the project team should make of target costing in deciding on the investment of carton recycling centres			
Trait			
1st step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes step	1
	Level 2	Recommends step with reasons	2-3
	Level 3	Recommends step with reasons and justification	4-5
2nd step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes step	1
	Level 2	Recommends step with reasons	2-3
	Level 3	Recommends step with reasons and justification	4-5
3rd step	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes step	1
	Level 2	Recommends step with reasons	2-3
	Level 3	Recommends step with reasons and justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 3

TASK 3			
Sub-task (a) Advise the Board on the risk of poor demand for this furniture, the operational risk associated with Cartn's role in the joint venture and the contractual inadequacy risk that the agreement with Dence does not cover every outcome			
Trait			
Poor demand	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Advises Board	2-3
	Level 3	Advises Board with justification	4-5
Role	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Advises Board	2-3
	Level 3	Advises Board with justification	4-5
Contractual inadequacy	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risk	1
	Level 2	Advises Board	2-3
	Level 3	Advises Board with justification	4-5
Sub-task (b) Recommend the accounting treatment of Cartn's investment in the joint venture and of its first few months trading during the accounting period ended 31 March 2027			
Trait			
1st issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies accounting issue	1
	Level 2	Recommends accounting treatment	2-3
	Level 3	Recommends accounting treatment with justification	4
2nd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies accounting issue	1
	Level 2	Recommends accounting treatment	2
	Level 3	Recommends accounting treatment with justification	3
3rd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies accounting issue	1
	Level 2	Recommends accounting treatment	2
	Level 3	Recommends accounting treatment with justification	3

© CIMA 2026. No reproduction without prior consent

TASK 4

TASK 4			
Sub-task (a) Recommend with reasons the treatment of Cartn's sale of scrap plastic in the integrated report, under the headings of manufactured capital, social and relationship capital and natural capital			
Trait			
Manufactured capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
Social and relationship capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
Natural capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
Sub-task (b) Recommend with reasons the pricing strategy that Cartn should adopt for sales of scrap plastic			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends strategy	1
	Level 2	Recommends strategy with reasons	2-3
	Level 3	Recommends strategy with reasons and justification	4-5
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends strategy	1
	Level 2	Recommends strategy with reasons	2-3
	Level 3	Recommends strategy with reasons and justification	4-5

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658

Management Case Study Examination

May & August 2026 – VARIANT 6

MARKING GUIDANCE

Contents

Management Case Study Examination 1
Variant 6 3
About this Marking Guidance 3
General marking guidance 3
How to use this levels-based marking scheme 3
Summary of the core activities tested within each sub-task 5
TASK 1 6
TASK 2 7
TASK 3 8
TASK 4 9

© CIMA 2026. No reproduction without prior consent

Variant 6

About this Marking Guidance

This Marking Guidance has been prepared for variant 1 of the CGMA Management Case Study.

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

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

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

General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.

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

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.

© CIMA 2026. No reproduction without prior consent

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

3. Select a mark within the level

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

© CIMA 2026. No reproduction without prior consent

Summary of the core activities tested within each sub-task

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

© CIMA 2026. No reproduction without prior consent

TASK 1

TASK 1			
Sub-task (a) Recommend with reasons factors that Cartn should consider when setting the strategy for pricing these new tubs			
Trait			
1st factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies factor	1
	Level 2	Recommends factor	2-3
	Level 3	Recommends factor with reasons	4-5
2nd factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies factor	1
	Level 2	Recommends factor	2-3
	Level 3	Recommends factor with reasons	4-5
3rd factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies factor	1
	Level 2	Recommends factor	2-3
	Level 3	Recommends factor with reasons	4-5
Sub-task (b) Recommend with reasons whether the leader of the project team that will be responsible for the completion of the work on the new tubs should be from a finance, marketing or product development background			
Trait			
Marketing	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes suitability	1
	Level 2	Recommends suitability	2-3
	Level 3	Recommends suitability with reasons	4
Product development	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes suitability	1
	Level 2	Recommends suitability	2
	Level 3	Recommends suitability with reasons	3
Finance	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes suitability	1
	Level 2	Recommends suitability	2
	Level 3	Recommends suitability with reasons	3

© CIMA 2026. No reproduction without prior consent

TASK 2

TASK 2			
Sub-task (a) Recommend with reasons the performance indicators that could be reported on a monthly basis to enable Cartn's Board to track the project team's progress			
Trait			
1st indicator	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies indicator	1
	Level 2	Recommends indicator	2-3
	Level 3	Recommends indicator with reasons	4-5
2nd indicator	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies indicator	1
	Level 2	Recommends indicator	2-3
	Level 3	Recommends indicator with reasons	4-5
3rd indicator	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies indicator	1
	Level 2	Recommends indicator	2-3
	Level 3	Recommends indicator with reasons	4-5
Sub-task (b) Evaluate Alison Cruikshank's arguments that there is a high likelihood that the product will fail and that any failure will have a significant negative impact on Cartn			
Trait			
Likelihood	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes likelihood	1
	Level 2	Evaluates likelihood	2-3
	Level 3	Evaluates likelihood with justification	4-5
Impact	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes impact	1
	Level 2	Evaluates impact	2-3
	Level 3	Evaluates impact with justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 3

TASK 3			
Sub-task (a) Advise the Board on the effect that the volatility in in the currencies of the new subsidiaries will have on Cartn's financial statements and their interpretation			
Trait			
1st effect	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies effect	1
	Level 2	Evaluates effect	2-3
	Level 3	Evaluates effect with justification	4-5
2nd effect	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies effect	1
	Level 2	Evaluates effect	2-3
	Level 3	Evaluates effect with justification	4-5
3rd effect	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies effect	1
	Level 2	Evaluates effect	2-3
	Level 3	Evaluates effect with justification	4-5
Sub-task (b) Recommend with reasons the basis that should be used for setting transfer prices for sales of paper fibre and coating from the foreign subsidiaries that will manufacture them to the Harrlandian subsidiaries that will manufacture the tubs for sale to third parties. All subsidiaries are profit centres			
Trait			
Paper fibre	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends basis	1
	Level 2	Recommends basis with reasons	2-3
	Level 3	Recommends basis with reasons and justification	4-5
Coating	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Recommends basis	1
	Level 2	Recommends basis with reasons	2-3
	Level 3	Recommends basis with reasons and justification	4-5

© CIMA 2026. No reproduction without prior consent

TASK 4

TASK 4			
Sub-task (a) Recommend with reasons the manner in which Cartn should reflect the new tubs under intellectual capital, social and relationship capital and natural capital in the integrated report			
Trait			
Intellectual capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
Social and relationship capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
Natural capital	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with reasons	4-5
Sub-task (b) Recommend with reasons the ways in which Cartn should mitigate the product reputation risk and the contractual inadequacy risk associated with the launch of the new tubs			
Trait			
Product reputation risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Recommends response	2-3
	Level 3	Recommends response with justification	4-5
Contractual inadequacy risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Recommends response	2-3
	Level 3	Recommends response with justification	4-5

© CIMA 2026. No reproduction without prior consent



Founded by AICPA® and CIMA®, the Association of International Certified Professional Accountants® powers leaders in accounting and finance around the globe.

© 2026 Association of International Certified Professional Accountants. All rights reserved. CIMA and The Chartered Institute of Management Accounts are trademarks of The Chartered Institute of Management Accountants and are registered in the United Kingdom and other countries. The Globe Design is a trademark owned by the Association of International Certified Professional Accountants and licensed to CIMA. 2510-665658