



# CIMA Strategic Case Study

## Study Text

### Chapter 2

### The Exam

## 1. How is the SCS examined?

Doing well at the SCS means getting to grips with the exam format and style. It's a computer based test, which requires you to analyse preseen information before the exam, adapt to new information in the exam, and put that together with your theoretical knowledge from E3, F3 and P3 to advise at a senior level within an organisation.

It's critical then that you understand more about how the SCS is examined and so in the next few sections we'll take a look at some basic facts about this exam of which you must be aware, and combine that with our advice on what this means for you in terms of how you approach the exam and how to use that knowledge to help you to pass. Let's get straight on to our first topic then: time!

## 2. Exam Timing

### Timing

The exam is 3 hours in length if you take the full time available in each section.

There will be 3 sections to the exam each with their own individual amount of time allocated. While the average length of each section is, of course, one hour in length, any one section could be either longer or shorter in length.

### Once you've ended a section you can't go back!

Once the time allocated for a particular section is completed, that's it! The computer will automatically close that section and you will have to move on. You will not be allowed to write any more and you **will not be able to go back to that section** later on in the exam.

If you choose to end a session early, then that's it too - no going back, even though you had some time left on that section when you stopped doing it.

You have to do the 3 sections in order - there is no choice to do the section you like the best first. Ideas you have later on can not be added in either - you have to get it right first time!

### Sections and sub-sections

While there will be 3 main sections, the requirements within each section may require you to complete sub-sections for each as you progress. So for example, on the CIMA Pilot Exam, given to students prior to the first exam, every one of the examiner's solutions included two main sub-sections to be

done within the overall time for that section. In other words, if the first task 'T' had an hour time limit, the two sub-sections, 'Ta' and 'Tb' would need to have been done in that time.

No timing guidelines will be given for sub-sections so you will need to manage your time effectively for those, estimating how important each section is and how much time you will allocate to them.

### Time management

This is a highly time-pressured exam with new information to be taken in, planning to be done and advice to be given all within restricted deadlines and so it is a real test for your time management technique. We will show you how to master your time in our time management chapter. It may well be the most important skill you need to master to pass!

## 3. Taking the exam

### Computer based exams

All exams are computer based and must be sat at a Pearson Vue study centre using the Pearson Vue system.

Unlike the 'computer-based' exams prior to 2015 you do not do the answers on a word processor or spreadsheet but instead must type your answers directly into the tailored Pearson Vue exam system. This system is like a highly simplified word processor with very limited functionality. There is no facility to use any kind of spreadsheet in this system.

It is important that you familiarise yourself with this system prior to the exam. The Astranti mock exams are designed to emulate the Pearson Vue system as closely as possible, but it is also advisable that you sign up for the sample exam that is provided by Pearson Vue and CIMA and have a 'play around' with their system to ensure you are familiar with exactly what you will be faced with in the exam. This is an important task to add to your to-do list!

### Typing speed

CIMA insist that this exam is not a test of typing speed and that an average speed of 20 words per minute will get you an answer long enough to be a good pass. While that may be true, our experience of computer based case studies going back to 2006 when they were introduced is that the longer the scripts the more points that students make and the greater the level of depth that they go into. Longer scripts normally do score higher therefore! As such it is vital that you aim to type as quickly as you can and write as much as you can without compromising on the quality of your work.

For the majority of CIMA students who use computers regularly, most from a very young age, typing speed will not be a barrier. Some CIMA students come from countries where PC use is not a part of their everyday activity and if you think this might be you then it would definitely be advisable for you to practise your typing to improve it prior to the exam. Your goal should be to get to a minimum of 20 words per minute. Ideally though, the faster the better!

If you want to find your own typing speed then just search online using the term “test typing speed” and you will find a host of free online typing tests you can take to test your speed along with a range of tools to help you improve.

### Different exams every day over the exam week

The exams are scheduled over a 5 day period, known as the '**exam window**', with morning and afternoon sessions on each day. Everyone sitting the exam on the same day will sit the same exam, but will **sit a different exam from the ones sat by people taking it on other days**. That's important so that people who sit the exams on one day are not able to tell those sitting the next day the content of the exams.

“But how is that fair?”, I hear your cry! “What if my exam is harder than the one sat by other people?” Well, CIMA will undertake a **levelling exercise** and ensure that on average people are not penalised for having had the harder exam. The long and short of this is that you could score 55% in your exam in real terms, but be given a passing mark of 60% or over if your exam was found to be really hard by the people taking it that day.

**So what does that mean for you and your exam?** Well, you may think you're exam is particularly hard, but if that's the case don't worry too much, as you have to remember that you are really only competing against the other people taking the exam that day. Your goal will be to get into the top group of people taking that particular exam. That means that you need to work effectively in your exam, getting to the end of it, and doing the best you can possibly do, whatever you are faced with. This will be key to maximising your chances of passing.

Conversely, **don't get over confident if your exam is easy**, as the marks may get downgraded. Again you need to do the best you can. Don't be complacent and keep going through to the end eking out every mark that you can. You might actually find that you need a much higher mark than 60% on that paper to pass if everyone else finds it easy too!

## 4. Your role

In the exam you will take a role within the case organisation of a senior manager. As part of CIMA's guidance on the SCS they have provided a guide to that role as follows:

“As the Senior Manager, you advise top level management, as they formulate the strategy for the business. This means analysing strategic options - the various courses of action the business can take - based on the organisation’s environment and its current strategic position.

Considering risks is paramount; they need to be identified, classified, evaluated and then managed / reported. Strategic options recommended will require justification and you need to advise on where to source finance for the strategies. You may have to influence your CFO and the rest of the senior management team.”

In a later chapter we will examine each element of that role and break down what it means for you and the answer you provide.

## 5. Marking the SCS

### The Pass Mark

The pass mark is 60%.

That's a tough target and higher than the 50% that used to be required in exams up until the change in 2015. However, do not be fooled by the figure itself. In conjunction with changing the pass mark, CIMA also changed the way the exams were marked. As a whole it should prove no harder or easier to become a CIMA qualified accountant that it was before the change.

### Marking the SCS

The strategic case study is marked according to the 4 key 'generic finance competences' as defined by CIMA. These are applied to the SCS as follows:

#### Technical skills (25%)

Technical skills demonstrate your knowledge of the theory from the E3, P3 and F3 exams. SCS takes you beyond the requirement to perform specific calculations or a straightforward demonstration of knowledge as is often tested in the OT papers and instead tests your ability to use theoretical techniques to analyse the situation, explain the benefits of applying certain techniques to the scenario or to interpret the findings of a previously prepared analysis or report.

#### Business skills (25%)

Strong analysis with good logical recommendations show your ability to apply good judgement to the case study. Business skills marks are awarded for showing good business awareness, which can ultimately be tested by asking whether if presented to a real life board of directors or CEO whether

your report, memo or email would make good practical business sense and whether they would act on your findings.

### People skills (25%)

People skills include good communication, persuasion skills and understanding the needs of others. You will earn good people skills when you show this in your report alongside meeting the specific needs of your role, which, as we discussed earlier include analysing strategic options, making logical recommendations, analysing risks, and looking at financing options.

### Leadership skills (25%)

Leadership skills marks are given for solid, logical business advice as you might expect from a leader of an organisation or team, considering the wider strategic implications of a decision, including: the management of change, shareholder impact, consideration of competitive position, impact of markets and links to customers, quality, production and supplier issues.

### Marking Summary

These four headings can seem quite broad, particularly some of the generic statements under people skills and leadership skills, and indeed the interpretation of them is quite broad too. In the exam you are not told how the marks are split down for each section and it can be difficult to estimate how the marks are allocated. As such the best approach is to focus on understanding the requirement, write to that requirement while using theory, good application to the scenario and preseen, and providing logical analysis and recommendations. If you do this you'll most likely hit the various marks across these 4 criteria.

In a later chapter we look in more detail at the marking criteria to give you more detail on how to approach questions with these in mind.

## 6. The preseen

Your exam will be based around a case study of a company. A wide range of information will be available about the company and this is made available to you about 6-8 weeks prior to the exam. You must know and understand this preseen information and have undertaken a **full strategic analysis** of it applying it to all the strategic subjects, so you are aware of the key issues facing the organisation and are ready to apply it to the questions you get in the exam.

Your preseen analysis though **must NOT be the focus of your answer on exam day**. It is there to enable you to view the unseen requirements in the context of a good understanding of the business, just as a managing director

of a business is able to deal with new issues with a deep understanding of their own company. Use that knowledge to provide logical business advice.

As a Senior Manager's job role is mainly externally focused, the preseen information will be predominantly 'external' information, but with appropriate 'internal' information to help you understand the company's position and put that external information into context. CIMA aim to take information about the industry in general from data in the public domain but it will be tailored to the specifics of the case study company.

While further industry knowledge and background will no doubt be useful to help you provide logical, relevant advice, CIMA aim to provide all you really need to know as part of the preseen information, meaning that wider research into the industry will be of only limited benefit.

## 7. The unseen

On the day of the exam you will be presented with a range of new information in the form of a meeting, emails, newspaper articles, memos, reports and other forms of both internal and external information.

Each new section of the exam will present you with new information that reveals something new, and which is very likely to be related to the previous section of the exam, so that there is a link between the various sections.

### The requirements

There will be significant piece of information, most likely to be in the form of an email or discussion at a meeting, which will come from someone more senior to you in the organisation and will outline the situation and more importantly the requirements.

The **requirements will NOT be immediately clear**. That is a feature at strategic level that may not have been as prevalent at management or operational level. The requirements will be hidden away in the information you will be given. You'll need to identify what your manager is asking from you from their instructions. This is a key new skill that you must develop. In the Pilot paper, for instance, every section has two sub-requirements. Miss one of those and you'd be in serious trouble as you'd have missed out on roughly a sixth of the marks. Miss two and you may as well be rebooking your place at the next sitting! We will show you how to avoid this fate later in this study text.

### Example

As an example, here is a sample requirement section from the CIMA Pilot Paper for the SCS. It relates to a meeting you are having with your boss, who also happens to be the group CEO.

*"I hope that you slept well last night because today is going to be busy. The CEO has just sent me a copy of a letter and I have to brief the board on the most appropriate response this afternoon.*

*The only thing that surprises me about this letter is that it has taken so long for them to make a formal request. The shareholders have been talking about this for ages.*

*My big worry is just keeping everybody happy. I need you to work out who is going to be affected by this. I always think that identifying the stakeholders lets you know who will be affected and how. So I need you to give me a list of stakeholders, along with an explanation of why each is affected and how their interests will be affected.*

*While you are doing that, I also need you to think about Arnold. He owns so many shares that we need to keep him happy at all costs. I met with him recently and asked what he thought about a quotation, but he just gave me a sneaky smile and said that lots of people ask him that very question all the time, then he changed the subject.*

*I want to be ready because the board is bound to ask how we should deal with Arnold. He didn't sign the letter from the shareholder group, although I don't know if he was even asked to. I need you to think about a strategy for dealing with Arnold and to put your thoughts down on paper.*

*I know this doesn't leave you much time but I need all that within the hour."*

Notice then - no specific requirements are shown, you need to identify from this what those requirements are and make sure you deal with them specifically. In our chapter on identifying the requirements we'll take a look through this example, and others, in more detail and show you what you need to look for to fully identify the requirements.

## Other information

Other information is there to support you in developing your answer. It might be more information about the company, a letter, newspaper article, industry analysis, piece of financial information or whatever the examiner deems will be useful to you.

Most likely, this information will tell you about a particular problem or issue, and it's this information that you will need to analyse to help develop your answer. Given that there are theory marks going in every section of the exam it is highly likely that you will be able to apply some theory to this information, to help you gain those theory marks. It is also likely that you will NOT be told which theory you will have to use, and you will need to make a decision as to which is the best theory to use to gain useful information from from the case study.

## Example

On the SCS pilot paper, the 'other information' related to the requirement we saw earlier took the form of two elements, firstly an introduction to the exam, and secondly a letter. Here are those two sections so you can see the type of thing you will be presented with:



## Unseen introduction

*“Today is 16th May 2015. You are a senior manager advising Judith, the new Group CEO, on issues relating to shareholders. The current position is as follows:*

*Cast is a private company and so its shares are not freely traded. The company was established as a family business, but there are now 40 shareholders. There are no close family ties holding the shareholders together. Over the years the shares have changed hands because of inheritance. The present shareholders are not closely related.*

*The only significant shareholder is Arnold, who is the great grandson of the shopkeeper who founded the business. Arnold owns 30% of Cast's shares.*

*Cast's constitution forbids the sale of shares to anyone other than an existing shareholder. That creates two problems. First of all, shareholders cannot liquidate any of their shareholding unless they can find a willing buyer amongst the other shareholders. There is a feeling that the few sales that have occurred have tended to be for less than the real value of the company's shares. Secondly, there is a tax charge when shares change hands because of inheritance. This requires a fair value to be negotiated with the tax authorities and that has created significant problems over the past few years.*

*Several shareholders believe that Judith's appointment is an ideal time for Cast to seek a stock market quotation. The company is large enough to be in the top 250 companies in its national stock exchange in the event that it is quoted. These shareholders have written to the company with a formal request that the directors begin the process of seeking a quotation. Arnold is aware of this request and has spoken to Judith to express his reluctance to see the company seek a quotation.*

*Judith has asked you to step into her office to discuss something important.”*

## Letter

*“Judith hands you a copy of a letter which can be accessed in the reference material above.*

*To the board of Cast,*

*We write as the owners of more than 40% of Cast's equity.*

*Our company has had a long and distinguished history. It had humble beginnings, but through hard work and imaginative management it has grown from a single shop to one of the country's leading retailers.*

*In the past, we have prided ourselves on being one of the country's largest unquoted companies. We have valued our independence and the freedom to take decisions without being held accountable to a widespread and transient body of market participants. Unfortunately, we no longer feel that the advantages of our unquoted status outweigh the disadvantages. We believe that Cast cannot expand unless we seek a stock market quotation.*

*We urge the board to commence the process of registering the company with the stock exchange. Clearly, this will be a challenging and expensive process. We believe that the costs will be more than compensated by the benefits.*

*Yours sincerely,*

*Simon and eight other shareholders.”*

This information is very specific to the issues being faced which relates to shareholders and the view of some shareholders that the business should be quoted on the stock market. Your answer would need to combine your knowledge of the technical aspects of stock market listings and the benefits thereof (from your F3 studies) with your analysis of stakeholders (from E3) combining the theory with the practical to provide relevant strategic advice.

If you are wondering how this should be answered well, hold on for a few more chapters while we introduce the case study a little more. We will get down to specifics of this question and other examples in later chapters.