



November 2025 and February 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

November 2025 and February 2026 Management Case Study [pre-seen](#).

Examiner's report

The November 2025 and February 2026 [examiner's report](#).

Exam variants

- [Variant 1](#)
- [Variant 2](#)
- [Variant 3](#)
- [Variant 4](#)
- [Variant 5](#)
- [Variant 6](#)

Suggested solutions

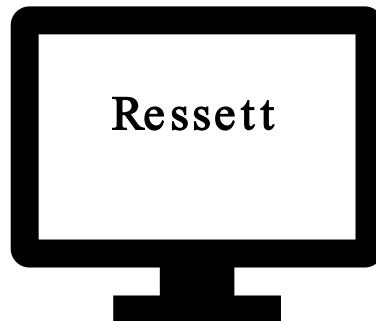
- [Suggested solutions for variant 1](#)
- [Suggested solutions for variant 2](#)
- [Suggested solutions for variant 3](#)
- [Suggested solutions for variant 4](#)
- [Suggested solutions for variant 5](#)
- [Suggested solutions for variant 6](#)

Marking Guidance

- [Marking guidance for variant 1](#)
- [Marking guidance for variant 2](#)
- [Marking guidance for variant 3](#)
- [Marking guidance for variant 4](#)
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- [Marking guidance for variant 6](#)

If you need any further information please [contact us](#).

**Management Case Study Examination
November 2025 – February 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 on-going global issues have not had an impact.

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

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Introduction

Ressett buys new and used personal computers and related products for resale to individuals, corporate and public sector customers. It buys these in bulk and resells at prices that are significantly cheaper than the prices charged by conventional retailers for the latest brand new computers.



Ressett is based in Lamland. Lamland’s currency is the L\$. Lamlandian company law requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

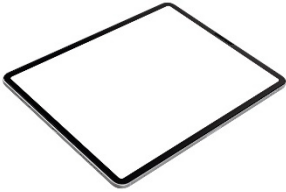

You are a financial manager at Ressett’s head office. Your primary responsibilities are associated with management accounting and you report to James Tan, the Senior Financial Manager, who reports directly to the Finance Director.

Personal computers

Personal computers (PCs) are designed for individual use. They are generally designed for operation by an end user, who may have little or no training in computing. PCs are used in both commercial and domestic settings. In the workplace, PCs can be used for a variety of tasks, including word processing, presentations and video conferencing. In the home, PCs may be used for games and for emails.

The retail market for personal computers focuses on the following product types:

<p>Desktop computers</p> 	<p>A desktop PC (“desktop”) consists of a system unit, which houses the processor, data storage and other components. These can be large devices that are intended to sit on or below the user’s desk. They require a mains connection for electrical power.</p> <p>Desktop computers are usually operated using a monitor, a keyboard and a mouse. These can be plugged into the system unit or, particularly in the case of the keyboard and mouse, connected wirelessly.</p> <p>Desktops are ideally suited for users who need to spend extended periods at their PCs. Large monitors make it easy to read text or to study graphics. It is also possible to position monitors and keyboards so that the user can operate the PC in comfort.</p> <p>Desktops are often used in the workplace, particularly when users require to spend extended periods at their computers. Desktops are sometimes used in the home, particularly by players of video games.</p>
<p>Laptop computers</p> 	<p>Laptops are more portable than desktop PCs, although they fulfil the same basic purpose. Laptops have batteries that can be recharged by connecting them to the mains using a power adapter. Laptops can also be operated on mains power.</p> <p>Some laptops are small and lightweight and can be carried easily. They can be used while commuting or taken on business trips. Larger laptops are heavier and may not be convenient to carry, but they have larger screens and keyboards and so may be more pleasant to operate. Users might choose larger laptops if they intend to use them primarily at home or at a desk in an office and they prefer to avoid the clutter associated with a desktop.</p> <p>Laptops can be used for most of the tasks carried out on desktops, although they offer less scope for arranging their screens and keyboards for user comfort. For leisure purposes, their portability makes them suitable for watching streamed digital content, such as films. Laptops rarely have sufficient processing power to enable them to play the latest video games.</p>

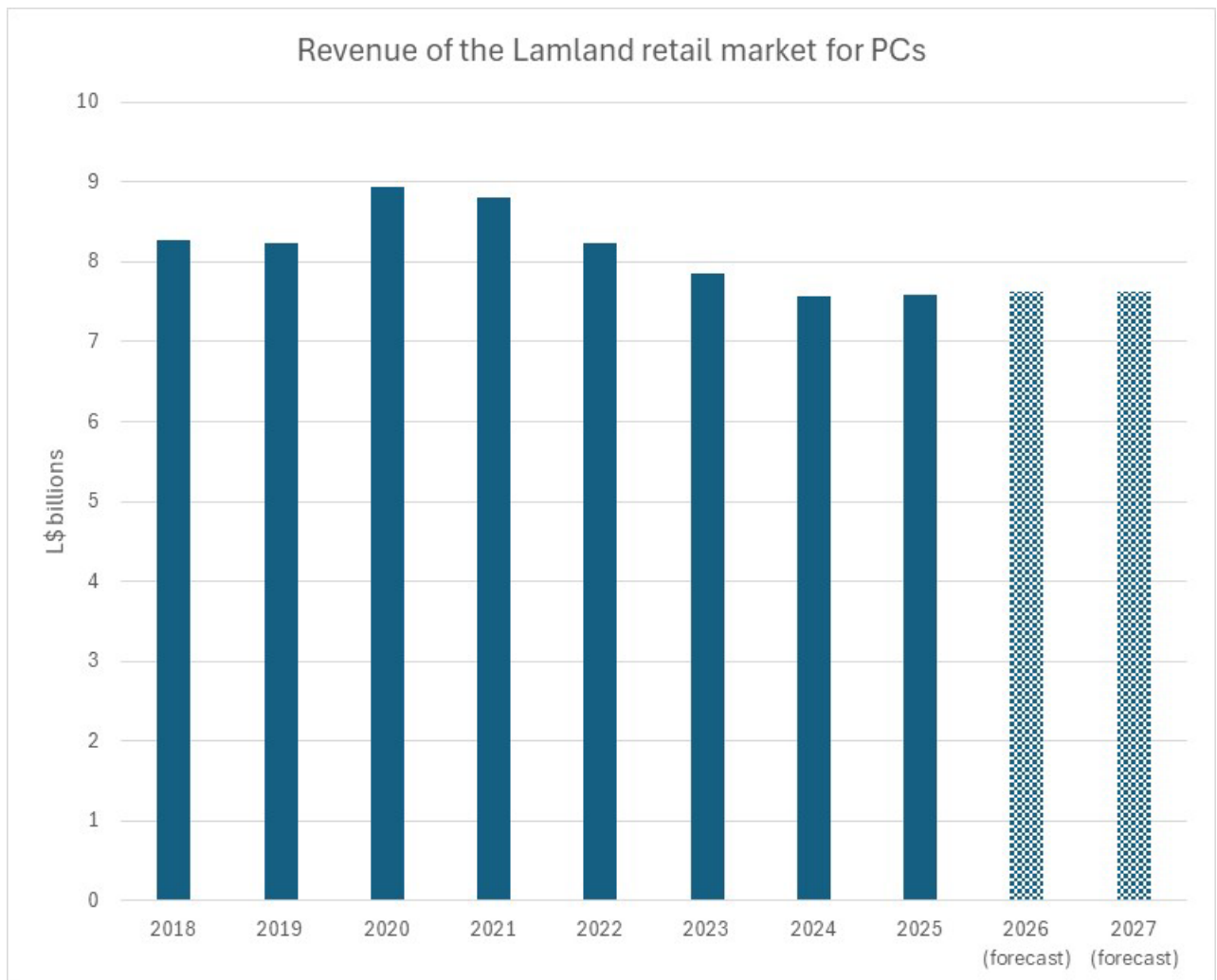
<p>Tablet computers</p> 	<p>Tablets are smaller and lighter than laptops. They are used mainly for reading files and accessing the internet. They are battery powered.</p> <p>Tablets vary in size. As with laptops, there is a trade-off between portability and comfort in terms of viewing content. Larger screens are easier to view but require bigger and heavier devices.</p> <p>Tablets permit users to type text, either through their touch-sensitive screens or through external keyboards. They can also be used to stream digital entertainment. Tablets are even less powerful than laptops and so they are generally unsuitable for playing games, although there are games that are designed to run on tablets.</p> <p>Tablets are less versatile than desktops and laptops, but they can have some applications in the workplace. For example, assistants in large shops can be equipped with tablets that use the shop Wi-Fi to check on the availability of stock while advising customers.</p>
<p>Peripherals</p> 	<p>A peripheral is essentially a device that can be connected to a PC to expand its capabilities. For example:</p> <ul style="list-style-type: none"> • Monitors • Mice • Keyboards • Printers • Scanners • External hard drives for storage or for transferring data <p>Peripherals can be connected to PCs by cables:</p> <ul style="list-style-type: none"> • Desktops usually come with different types of sockets that can be used to attach peripherals, and they may have several of the more popular sockets. • Laptops have smaller cases and so they usually have fewer sockets. • Tablets may only have a single socket, which is intended primarily for recharging their batteries. <p>Some peripherals can be linked to computers using wireless connections such as Wi-Fi or Bluetooth.</p>
<p>Consumables</p>	<p>Consumables are items that are used in the operation of computers and peripherals. They are often used in printing and include:</p> <ul style="list-style-type: none"> • Paper • Ink cartridges for inkjet printers and toner for laser printers



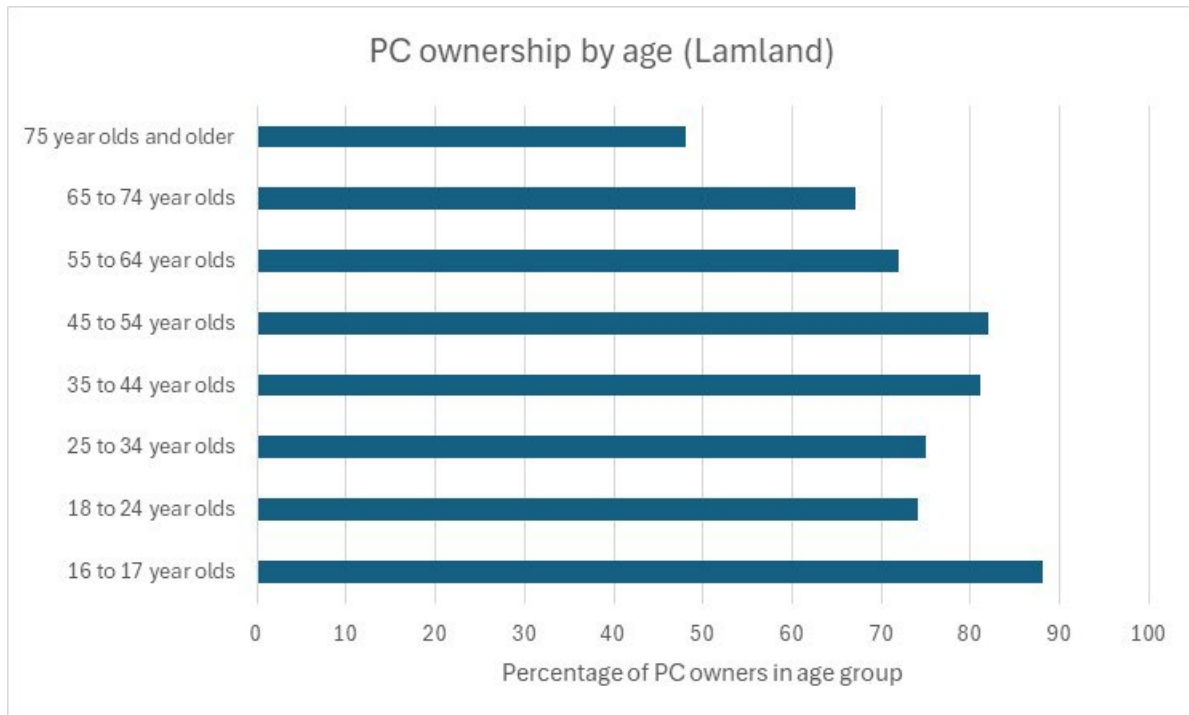
Consumables also include products that are used to back up or transfer data, including:

- Blank recordable CDs and DVDs
- USB sticks

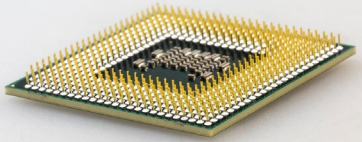

PC sales have been fairly static in recent years. The devices themselves are reasonably robust and can operate reliably for several years if they are handled carefully.





Most individuals who need a PC already own one.



The power of a computer is determined by its components:

<p>Processor</p> 	<p>The processor (which can be referred to as the “central processing unit” or “CPU”) is a chip that performs the calculations required to run applications. Faster processors make applications run faster and respond more quickly to the user’s instructions.</p> <p>Some software requires relatively little from the processor. For example, word processing or reading web pages requires relatively little processing power.</p> <p>Some applications require powerful processors. For example, computer games often require very powerful processors in order to keep up with the vast number of calculations required by the algorithms that make the game play. Some business applications also require powerful machines. For example, computer-assisted design (CAD) software.</p>
<p>Graphics</p> 	<p>The graphics processor enables the PC to create and display images. The graphics processor is soldered into laptops, tablets and some desktops. Other desktops can accommodate graphics cards that can be replaced if the user requires more powerful hardware.</p> <p>The graphics processors in laptops and tablets send their output to the machines’ displays. Desktops’ graphics are connected to monitors by cable.</p> <p>Some applications, including games and video editors, require powerful graphics processors.</p>

<p>Memory</p> 	<p>PC memory provides temporary storage for software and for data during operations. The power of a PC is related both to the speed and the quantity of its memory. Different memory chips transfer software and data at different speeds, with faster transfers enabling faster operations. The more memory that a PC has, the less often that it has to return data to storage and the faster it runs.</p> <p>Desktop and laptop operating systems can multitask, meaning that more than one application can be open at once. PCs with more memory can open multiple windows more easily. Only the most powerful tablets can multitask efficiently.</p> <p>Many desktops and laptops can have their memory modules upgraded by replacing a memory module. The memory in others is fixed permanently.</p>
<p>Storage</p> 	<p>PCs have permanent storage for their operating systems, other software and data. Data can be transferred to memory for processing and the updated version of the file will overwrite the previous version.</p> <p>Some PCs use hard disks for storage. These are mechanical devices that store data on platters coated with iron oxide. Hard disks are being overtaken in popularity by Solid-State Drives (SSDs). These are electronic devices that have no moving parts. They can transfer data at higher speeds than hard disks.</p>
<p>Internet connection</p>	<p>PCs contain wireless network cards that enable them to connect to Wi-Fi in the home and workplace, allowing users to access web pages and to read and respond to emails.</p> <p>Desktops and some laptops have the sockets required to connect to wired networks by cable. Wired connections are usually faster in terms of the speeds at which data can be transferred.</p> <p>The speed of the network connection does not affect the power of the PC itself, but it will affect the quality of the user's experience.</p>

PC manufacturers maintain revenues by launching new and upgraded models on a regular basis. These upgrades are often intended to enable PCs to run the latest versions of the software that users wish to use. Users may not feel it necessary to buy more powerful PCs unless their existing machines are struggling to run the latest software:

<p>Operating systems</p>	<p>Operating systems consist of software that manages hardware and provides an environment within which other software can operate. Every PC requires an operating system.</p> <p>The software companies who provide operating systems must constantly upgrade their software in response to security issues, such as viruses and hacking. Successive upgrades increase the complexity of the operating systems</p>
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	<p>until, eventually, it becomes necessary to launch a completely new version.</p> <p>Operating systems require PCs to meet or exceed minimum hardware requirements in terms of processor speed and memory. New versions of operating systems may require users to either upgrade or replace their PCs in order to use the latest operating systems. It may not be advisable to continue to use outdated operating systems because the software companies who created them might not continue to support them. In the absence of upgrades, older PCs using outdated operating systems might be vulnerable to security threats.</p> <p>There are several popular operating systems for PCs. Some are designed to run on desktop and laptop computers and others are intended for tablets.</p> <p>Operating systems can be purchased separately, but they also tend to come bundled with new PCs. PC manufacturers usually load the latest operating systems onto computers during manufacture and include the cost in the price of the machines.</p> <p>Most computer users run proprietary operating systems, which are owned and licensed by the companies that developed them. Users usually have to pay for a licence to use these operating systems. Sometimes the cost of that licence is bundled into the price of a new computer.</p>
<p>Software packages</p>	<p>Users usually install software packages on their PCs. Each package provides a different capability to the machine.</p> <p>Business software enables users to word process, build spreadsheets and create presentations. These programs are usually purchased for desktop and laptop PCs, although there are also versions that can run on tablets. Business software does not usually require particularly powerful PCs to run, although there are exceptions, such as computer assisted design packages used by engineers and video processing software used in the entertainment industry.</p> <p>Many home users use business software for personal use. The main reason for requiring a powerful computer at home is to play games. Most games are programmed using complex algorithms that require fast processors and large amounts of memory. If a PC does not meet a game's minimum requirements in terms of power, then it will either be unable to run the game at all or the action on the monitor will stutter, spoiling the experience.</p> <p>Some software companies sell bundles of software packages that include a word processor, a spreadsheet and a presentation package. These bundles are often referred to as "office" software.</p> <p>The most popular office software packages can be expensive. They are popular because they are often</p>

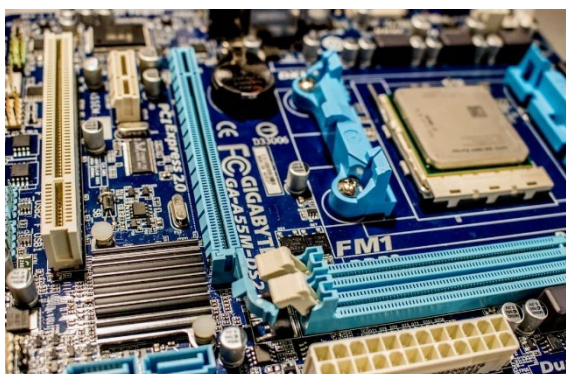
	<p>regarded as the industry standard. Users can exchange files with one another and can update or edit those files on their own computers. Some rival publishers sell cheaper software that is compatible with the industry standard and so can edit files that were created on the more expensive software.</p>
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PC vendors

PCs can be purchased from several different sources:

- PC manufacturers (new PCs)
- Retailers (new PCs)
- Online marketplaces (used PCs)
- Resellers (new and used PCs)

Manufacturers



Most manufacturers of PCs and peripherals have direct sales channels that enable consumers to purchase products online. Customers may be offered the opportunity to specify the components that will be used to build their PCs, while software checks that customers' selections are compatible with one another. Alternatively, some manufacturers offer specific models that are optimised for particular tasks, ranging from internet browsing to gaming. Manufacturers often mass produce

popular models, which enables them to reduce unit manufacturing costs and also to be responsive to corporate customers who wish to place large orders.

Manufacturers' websites usually offer support in the selection of a PC or peripheral that is suited to the customer's needs. More powerful machines generally cost more than those with a lower specification and customers often appreciate guidance on whether the extra cost is justified.

Goods sold through direct sales channels are often discounted slightly, although those discounts are unlikely to be significant and may do little more than offset delivery charges. Manufacturers will not wish to risk alienating the retailers who stock their products by undercutting them significantly on selling price.

Manufacturers sell new PCs and peripherals.

Retailers

Several types of retailers sell PCs. Specialist electronics retailers focus on PCs and peripherals. They generally offer a wide range of PCs from different manufacturers.



Department stores are divided into sections, each of which sells a range of goods. Large department stores often sell a range of popular brands of PCs from their electronics departments.

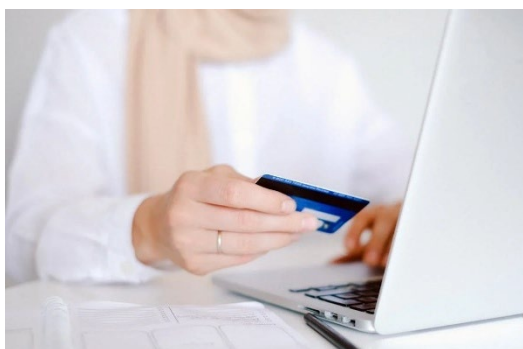
Physical shops allow customers to see demonstration units of the computers or peripherals that they are interested in buying. Sales assistants are usually trained to answer technical questions and make

recommendations.

Online retailers enable customers to select and pay for their PCs and peripherals through the retailers' websites. The orders are then delivered by courier.

Retailers sell new PCs and peripherals.

Online marketplaces



Online marketplaces are used primarily by individuals who wish to buy or sell used goods. Typically, sellers list their goods for sale, accompanied by photographs and detailed descriptions. Goods can be sold at fixed prices or potential buyers can be invited to bid by inputting the maximum that they would pay for items.

Online marketplaces sell wide ranges of goods, including PCs. Sellers may be individuals who wish to sell a single item that they no longer need,

or they can be small businesses that use online marketplaces as an inexpensive channel for the sale of small quantities of goods.

Resellers



Resellers buy PCs and peripherals from other vendors and from other businesses. They resell those goods to individuals and, occasionally, to commercial and non-commercial entities.

A reseller might acquire goods for resale through a variety of different sources including:

- A PC manufacturer has a surplus of a model that is about to be withdrawn from sale. It might prefer to sell that inventory to a reseller, rather than offering obsolete goods through its website.
- A retailer might have an inventory of unsold PCs that are about to be replaced by new models. Those PCs might be new machines that have never been removed from their packaging, or they could have been used as demonstration units in physical shops. Large retail chains could have fairly large numbers of

display models for any given model, one for each branch, and so would be keen to sell them to a reseller.

- Commercial and non-commercial organisations often replace their PC hardware on a regular basis, leaving them with large numbers of computers that are no longer needed and that may have substantial value. Selling surplus PCs to a reseller is a sustainable method of disposing of them and of generating some cash in the process.

Resellers take care to buy PCs that are likely to appeal to customers, while being available at prices that make it possible to resell them at a profit. Resellers are rarely able to buy the latest models of PC, but they do not purchase machines that are so old that they cannot run current software. PCs might not be able to run the very latest versions of operating systems and other software, but there is usually an overlap between outgoing versions and the new ones that will replace them. Many consumers are willing to use outgoing software provided their software companies have committed themselves to supporting those products for a year or more.

Resellers also pay attention to the cosmetic condition of used PCs. Customers are unlikely to be satisfied with machines that are badly scratched or damaged. Resellers generally use a grading system to classify the condition of equipment offered for sale. Selling prices reflect those grades:

New	<p>Products graded as “New” are still in their original and unopened packaging. They may be surplus units that could have been in storage for some time.</p> <p>New products might be sourced from manufacturers and from retailers. In either case, they may be surplus units of models that are being replaced.</p>
As new	<p>Products graded “As new” have been opened and may be slightly marked because of light use.</p> <p>As new products might be sourced from retailers who are disposing of demonstration units of PCs that are no longer required because they are models that are being replaced. Retailers usually take reasonable care to prevent their display units from being mistreated and damaged.</p> <p>As new products may also be sourced from online retailers, who often permit their customers to return PCs after opening their packaging. Returned goods must be undamaged. Some retailers sell returned PCs to resellers rather than risk putting them back into their own inventories.</p>
Grade A refurbished Grade B refurbished	<p>“Grade A refurbished” products may have minor cosmetic marks and may show minor signs of wear, particularly on keyboards and touchscreens.</p> <p>“Grade B refurbished” products may have medium cosmetic marks and may show medium signs of wear, particularly on keyboards and touchscreens.</p> <p>Grade A and Grade B refurbished products are usually sourced from commercial and non-commercial entities, such as banks or government offices. Those entities often standardise on a single model of desktop, laptop and/or tablet PC. They often replace all of the PCs in each category at</p>

	once, offering resellers the opportunity to buy large quantities of the outgoing machines.
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Resellers are interested only in bulk purchases of PCs. They do not buy single machines from private individuals. Having at least 50 units, and preferably more, of any given machine makes it worthwhile to invest time in creating photographs and text for each model that they list for sale on their websites. Bulk purchases also enable resellers to equip organisations with multiple PCs of the same model. That is attractive to entities that have limited IT budgets, such as charities.

There are only two major PC resellers in Lamland, namely Ressett and Fixxupp. Resellers depend on being able to access sufficient quantities of good quality computers. The Lamlandian market would probably be unable to sustain three or more resellers.

Ressett

Ressett was founded in 1986 as a reseller of home electronics appliances, including televisions and audio equipment. The company developed contacts with traditional retailers and manufacturers, enabling it to buy goods for resale at attractive prices.

The company extended its range to include PCs and peripherals in 1990. This change coincided with rapid growth in demand for computers from the small office/home office (SOHO) segment of the PC market. Ressett has specialised in the sale of PCs, peripherals and consumables since 1995. It now sells nothing else.

Initially, Ressett operated from a shop in North City and expanded by opening several branches across Lamland. The company added mail order and online sales during the late 1990s. These proved such a major success that Ressett had closed its shops by 2010 and was making all of its sales from a purpose-built sales and fulfilment centre in Middcity.

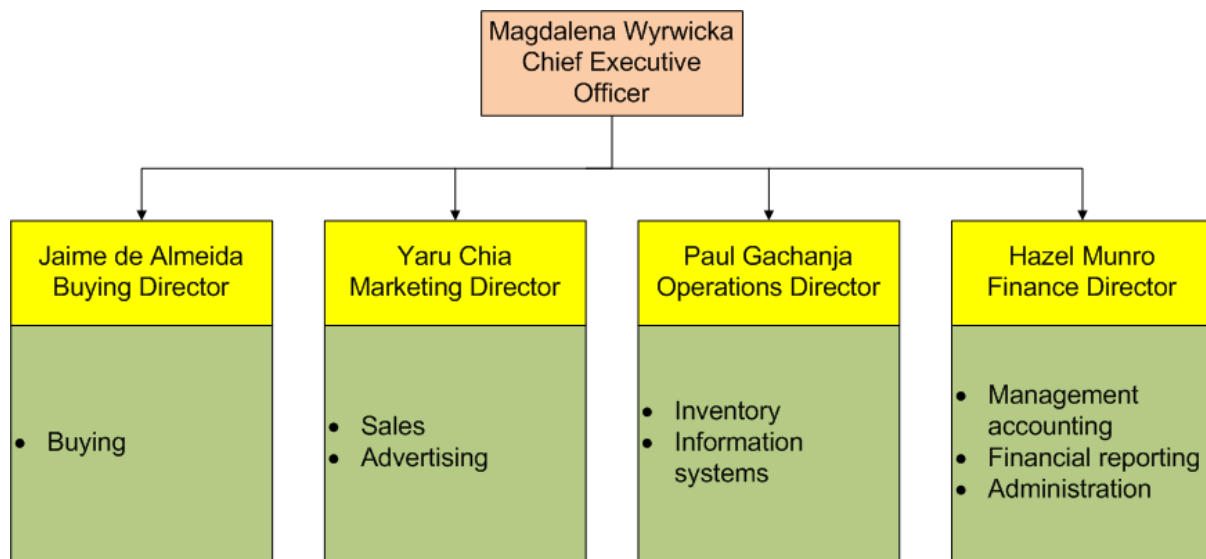
Ressett employs 350 staff, split between the following departments:

Buying	<p>Ressett’s buyers have a crucial role in the organisation. They negotiate with sellers for purchases of new and used PCs, as well as peripherals and for consumables that are available for purchase in bulk. This role requires buyers to have sufficient expertise to determine whether equipment is sufficiently up to date to be desirable to customers.</p> <p>Buyers are responsible for ensuring that Ressett has sufficient inventory to ensure that it can satisfy customer demand.</p> <p>The buyers engage with regular sellers, such as manufacturers and large retailers, who often have inventories of PCs, peripherals or consumables that are due to be withdrawn from sale. Buyers negotiate discounted purchase prices that enable Ressett to offer customers the opportunity to buy good quality products at attractive prices.</p> <p>Buyers also make contact with IT managers at corporate entities in the private and public sectors in the hope of buying any good quality PCs and peripherals that might be for sale in suitable quantities.</p> <p>The Buying Department also buys consumables in bulk. Customers often browse Ressett’s website looking for</p>
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	<p>inexpensive items such as USB memory sticks and make impulse purchases of more expensive products such as tablets. It is also necessary to support products that depend on specific consumables. For example, printers require ink or toner cartridges if they are to be able to print.</p>
<p>Sales</p>	<p>The Sales Department is responsible for maintaining Ressett’s website. Whenever PCs, peripherals or consumables become available for sale, the Sales Department sets selling prices and lists those items for sale on the website. The Sales Department photographs items and writes detailed descriptions of the products, classifying them as “new”, “as new” or “refurbished”. Some products offer customers a choice between new and as new or Grade A or Grade B refurbished. Customers can then choose to pay slightly more for a PC that is in better condition.</p> <p>Customers can place orders through Ressett’s website. Alternatively, they can telephone the Sales Department’s call centre. Sales staff in the call centre can advise potential customers by explaining technical terminology used on the website.</p> <p>Corporate customers who wish to place bulk orders are likely to talk to call centre advisers.</p> <p>Call centre staff also deal with queries and complaints from customers. These can include questions about delayed shipments, complaints about defective goods and requests for technical assistance with unfamiliar equipment.</p> <p>Writing accurate descriptions for the website and advising customers requires considerable technical knowledge of IT equipment.</p>
<p>Inventory</p>	<p>The Inventory Department is responsible for preparing goods for listing on the website and also for making them ready for sale.</p> <p>New products should be in their manufacturers’ original packaging. Inventory Department staff check that all packaging is sealed and that there are no signs of damage to the packaging. When packaging is damaged, then staff open the product and check that it works properly, before repackaging it for sale in an “as new” condition.</p> <p>Inventory Department staff check the condition of as new goods, checking that they are actually in that condition. PCs and peripherals are switched on to ensure that they power up correctly. The machines are also checked for signs of wear or damage that are more serious than the description on Ressett’s website implies.</p> <p>The Inventory Department is responsible for any refurbishments that are necessary. In the case of PCs, that involves deleting all data files and removing any software other than the operating system.</p>

	<p>Inventory Department staff also clean and polish the exterior of the items as necessary and evaluate any damage and signs of wear. Finally, they classify the item as either Grade A or Grade B refurbished.</p> <p>The Inventory Department informs the Buying Department of any problems with incoming goods. For example, items purchased as “as new” might have to be sold as Grade B refurbished because of scratches or signs of wear. Some items might be rejected because of serious damage. That might lead to the Buying Department returning items to their sellers or seeking a discount.</p> <p>The Inventory Department is also responsible for managing Ressett’s warehouse. Staff log incoming goods into the inventory control system after they have been received and checked. The inventory control system links to the sales website, ensuring that goods are available before a customer’s order is accepted.</p> <p>Inventory Department staff prepare goods for despatch and process collections by the third-party courier company that Ressett uses to deliver its goods.</p>
Administration	<p>The Administration Department handles a variety of roles:</p> <ul style="list-style-type: none"> • Approving trade credit for corporate customers who are placing bulk orders (private individuals must pay with credit or with debit cards at the time of sale). • Bookkeeping and accounting. • Human resource management. • Marketing and advertising.

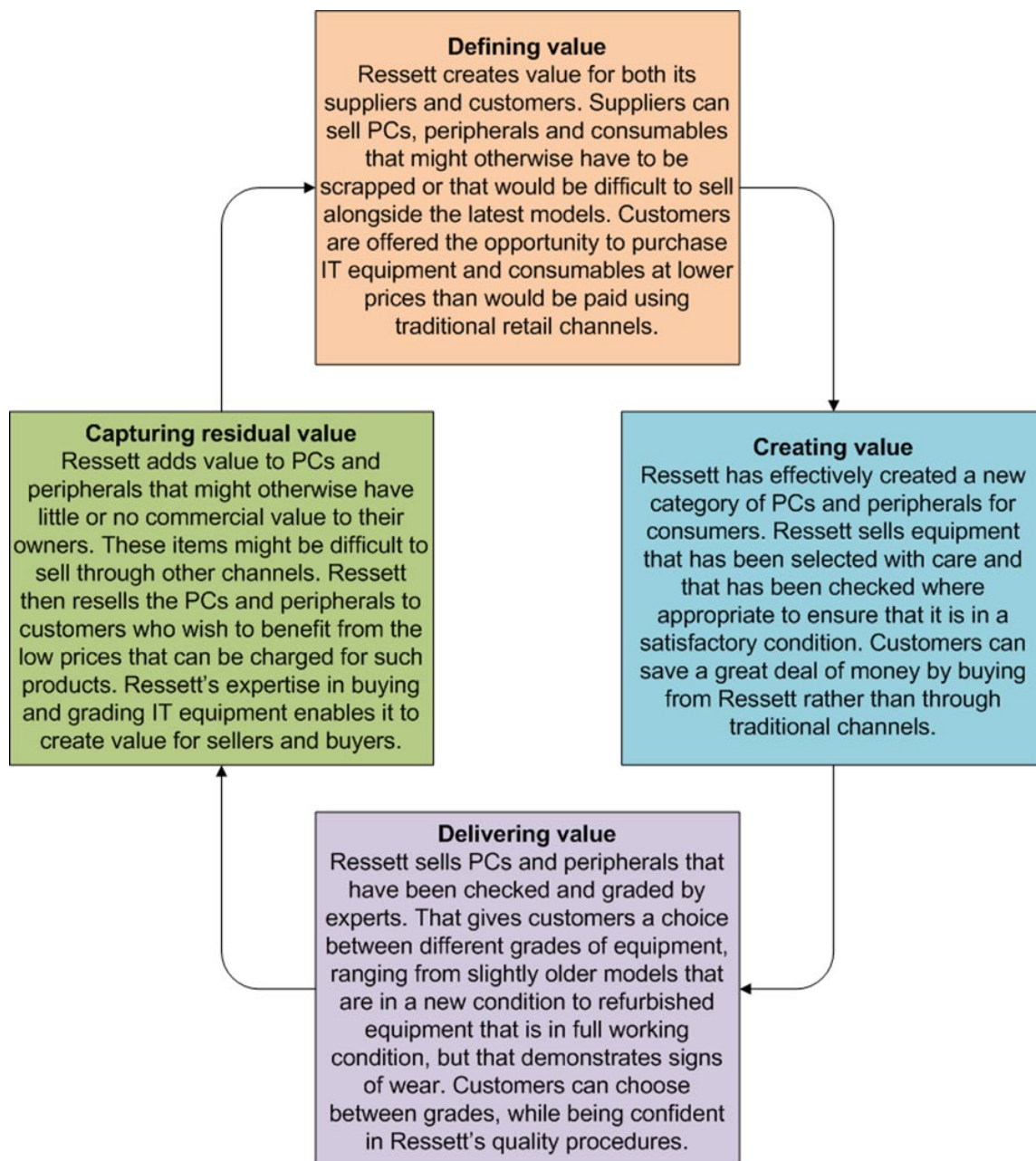
Ressett's Board structure



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

- Hamza Salem Faraj Attia – non-executive chair
- Geraldine Gruchet
- Frank Sejersen
- Marietta Auer

Ressett's business model



Extracts from Ressett’s annual report

Ressett Group
Consolidated statement of profit or loss
For the year ended 31 March

	2025	2024
	L\$ million	L\$ million
Revenue	203.3	197.2
Cost of sales	(146.4)	(144.0)
Gross profit	56.9	53.2
Administrative expenses	(28.5)	(29.6)
Operating profit	28.4	23.6
Finance costs	(0.7)	(0.7)
Profit before tax	27.7	22.9
Tax	(3.9)	(3.0)
Profit for year	<u>23.8</u>	<u>19.9</u>

Ressett Group
Consolidated statement of changes in equity
for the year ended 31 March 2025

	Share capital and premium	Retained earnings	Total
	L\$ million	L\$ million	L\$ million
Balance at 1 April 2024	6.0	20.2	26.2
Profit for the year		23.8	23.8
Dividends		(22.9)	(22.9)
Balance at 31 March 2025	<u>6.0</u>	<u>21.1</u>	<u>27.1</u>

Ressett Group
Consolidated statement of financial position
As at 31 March

	2025	2024
	L\$ million	L\$ million
Non-current assets		
Intangible assets	2.2	2.2
Property, plant and equipment	9.7	9.9
	<u>11.9</u>	<u>12.1</u>
Current assets		
Inventory	15.2	14.8
Trade and other receivables	16.1	15.8
Bank	7.8	6.9
	<u>39.1</u>	<u>37.5</u>
Total assets	<u><u>51.0</u></u>	<u><u>49.6</u></u>
Equity		
Share capital and share premium	6.0	6.0
Retained earnings	21.1	20.2
	<u>27.1</u>	<u>26.2</u>
Non-current liabilities		
Loans	8.0	8.0
Current liabilities		
Trade and other payables	12.2	12.5
Tax	3.7	2.9
	<u>15.9</u>	<u>15.4</u>
	<u><u>51.0</u></u>	<u><u>49.6</u></u>

Extracts from Ressett’s sustainability report

<p>Governance</p>	<p>Ressett’s Board pays close attention to the sustainability of the Group’s operations.</p> <ul style="list-style-type: none"> • The Board discusses sustainability as an agenda item during at least two of its meetings each year. • A senior manager in the Inventory Department has been appointed as Ressett’s “Sustainability Champion” and is expected to spend two working days each month working on sustainability matters.
<p>Strategy</p>	<p>Ressett’s business model is inherently sustainable. Ressett purchases PCs, peripherals and consumables that might otherwise be regarded as surplus to requirements and scrapped. Selling those products avoids the need to manufacture new items, which reduces the need for manufacturers to consume scarce resources.</p> <p>Ressett operates from a highly efficient distribution centre. Customers are not offered the opportunity to travel to a retail outlet because sales are made either online or through a call centre.</p> <p>Ressett’s logistics are managed carefully, with a view to the Group being net zero carbon by 2030.</p>
<p>Risk management</p>	<p>PC manufacturers have a poor reputation for creating electronic waste that leads to wasted resources and harmful pollution.</p> <p>Ressett works with manufacturers, retailers and users of IT equipment to extend the useful lives of equipment that might otherwise be scrapped. Extending the lives of existing equipment reduces demand for new equipment and delays the disposal of surplus products.</p>
<p>Metrics</p>	<p>Ressett tracks emissions associated with the operation of its distribution centre in terms of CO₂e (carbon dioxide equivalents). Investments in energy saving practices, such as the use of energy efficient lighting, delivered a 5% reduction in CO₂e emissions during the financial year ended 30 September 2025.</p> <p>Ressett requires the courier companies who deliver goods to customers to demonstrate that their operations are energy efficient. 80% of customer deliveries involve the use of electric vehicles for at least part of their journeys.</p>

Extract from Fixxupp’s annual report

Fixxupp is Ressett’s closest direct competitor, being the only other major PC, peripheral and consumables reseller in Lamland. It has a very similar business model to Ressett’s, purchasing PCs, peripherals and consumables from manufacturers, retailers and corporate IT users.

Fixxupp Group

Consolidated statement of profit or loss

For the year ended 31 March

	2025	2024
	L\$ million	L\$ million
Revenue	187.0	170.5
Cost of sales	(138.4)	(127.9)
Gross profit	48.6	42.6
Administrative expenses	(28.1)	(23.9)
Operating profit	20.5	18.7
Finance costs	(0.9)	(0.9)
Profit before tax	19.6	17.8
Tax	(2.7)	(2.3)
Profit for year	16.9	15.5

Fixxupp Group

Consolidated statement of changes in equity

for the year ended 31 March 2025

	Share capital and premium	Retained earnings	Total
	L\$ million	L\$ million	L\$ million
Balance at 1 April 2024	5.0	18.7	23.7
Profit for the year		16.9	16.9
Dividends		(15.4)	(15.4)
Balance at 31 March 2025	5.0	20.2	25.2

Fixxupp Group
Consolidated statement of financial position
As at 31 March

	2025	2024
	L\$ million	L\$ million
Non-current assets		
Intangible assets	1.5	1.5
Property, plant and equipment	10.4	10.1
	<u>11.9</u>	<u>11.6</u>
Current assets		
Inventory	15.2	15.3
Trade and other receivables	15.6	14.4
Bank	6.3	5.1
	<u>37.1</u>	<u>34.8</u>
Total assets	<u><u>49.0</u></u>	<u><u>46.4</u></u>
Equity		
Share capital and share premium	5.0	5.0
Retained earnings	20.2	18.7
	<u>25.2</u>	<u>23.7</u>
Non-current liabilities		
Loans	10.0	10.0
Current liabilities		
Trade and other payables	11.3	10.5
Tax	2.5	2.2
	<u>13.8</u>	<u>12.7</u>
	<u><u>49.0</u></u>	<u><u>46.4</u></u>

News reports

Lamland Business Daily

The hazard of electronic waste



Electronic waste (or “e-waste”) is the term given to discarded electronic devices. This is a growing problem. Globally, more than 60 million tonnes of e-waste are dumped every year and that rate is increasing. Forecasts suggest that the dumping of e-waste will exceed 80 million tonnes by 2030.

The growth of e-waste is blamed on the continuing development of electronic devices. Consumers are often keen to have the very latest devices and so need to dispose of their current models.

E-waste includes toxic substances such as lead, mercury, cadmium and other chemicals that are harmful to human health and to the environment. These metals and chemicals can pollute land and rivers and can make their way into food chains. It is possible to process and recycle e-waste safely, but it is difficult and expensive to do so, even though processing e-waste yields precious metals including gold, silver, copper and lithium. Five times more e-waste is dumped each year than is processed.

Lamland Daily News

Take care when donating an old computer to charity



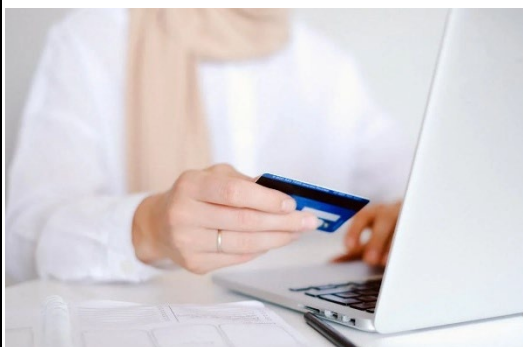
When Lydia Kanyairita bought herself a new laptop, she decided to donate her old machine to a local charity, hoping that someone would be able to make use of it. Unfortunately, she found herself in serious financial difficulty after the charity sold her old laptop in order to raise funds and the buyer stole her identity.

Ms Kanyairita had deleted all of her files before making her donation, but she did not realise that access to files can often be restored even though they appear to have been deleted. The person who bought her old computer appears to have had the necessary skill to restore her files and used those to obtain personal details such as her online banking username and password. Ms Kanyairita was unaware of this until she checked her bank balance and discovered that her account had been emptied. Luckily, her bank has agreed to refund the money that she lost. The perpetrator has not been identified.

Professor Edward Cahill, an expert in computer security, told the Lamland Daily News that it is possible to delete computer files permanently, but doing so requires security software and the ability to use it. Owners should never give their old computers away unless they know how to wipe all data forever.

Lamland Daily News

Buying used computers on online marketplaces



There are several choices available to you when you are buying a computer. One of those choices is to buy using an online marketplace. There are several of these, all of which are intended to put buyers and sellers in contact with one another.

Online marketplaces usually have powerful search facilities, which makes it possible to search for a specific product. You might, for example, search for a laptop that is rated as

being in good condition. Hopefully, that will offer a range of potential purchases. It may be possible to get a further indication of the computer's condition because sellers usually provide high-definition photographs of the specific item that is for sale.

Some sellers offer items for sale at a fixed price, while others invite bids. Fixed price sales have the advantage of being settled immediately, which might be helpful if you need your computer urgently and the seller is willing to ship as soon as possible after the sale. If the computer is being auctioned, then bidders will have to wait until the item's closing date. The website displays the highest bid received to date and the time remaining until the item closes. The item will normally go to the highest bidder, although the seller has the option of setting a reserve price, which is the smallest bid that will be accepted. This reserve price is not stated on the website, but the item will remain unsold if the highest bid does not exceed the reserve price. The website displays the highest bid received.

You might feel reluctant to buy an expensive item such as a computer from a stranger on a website. Online marketplaces usually offer buyers the opportunity to leave feedback on sellers. That feedback is published on the website, so it is possible to avoid sellers who have received negative feedback. You should, however, remember that you are relying on the seller to pack the item and to ship it to you after you have made payment.

Extracts from frequently asked questions (FAQs) on Ressett's website

Support



Will I be able to talk to a human being if I telephone your call centre?

Response

Our call centre is staffed by specialists who can offer helpful advice both before and after you make a purchase.

The telephone number on our website is staffed from 08:00 until 20:00, 7 days per week. Our advisers are available to offer advice about our products. They can assist with purchasing decisions or they can offer aftersales advice in the event of any problems with deliveries or difficulties in setting up an item of equipment.

Software



If I buy one of your refurbished laptops, will I get the software that the previous owner installed? I am looking for a package that includes a word processor, a spreadsheet and a presentation package.

Response

All of our PCs, whether new, as new or refurbished, come with an operating system. Any other software that was installed by a previous owner will be deleted by our technicians as part of our checking process.

We delete software packages, such as word processors, because PCs' previous owners usually install their copies on their new computers. It would be a breach of the software publishers' licence conditions to leave the original copy on their old machines. We would be responsible for any such breach because we are selling the PCs.

We make an exception for operating systems because new computers usually come bundled with an operating system. That means that the previous owner of a PC does not need to install the licensed copy of the operating system on their old machine. We leave the operating system in place because doing so does not breach licence conditions.

The money that you will save by buying one of our refurbished PCs should leave you with plenty left over to buy all the software that you need.

DVD writers



What is the difference between internal and external DVD writers, and which would be better for backing up the data on my laptop?

Response

Internal DVD writers are designed to be installed in desktop computers. Your laptop would not have the necessary space to accommodate an internal writer. An external drive uses a short cable to plug into a USB port in either a desktop or laptop. That makes an external drive more suitable for your needs.

The DVD writers that we have for sale at the moment are all supplied with the “burning” software that will enable you to copy files onto writeable DVDs. Just make sure that you buy sufficient blank disks to back up all your files.

Network cabling



Do you sell network cables? Is a cable connection better than wireless?

Response

Yes, we sell network cables. These come in a range of different lengths. You can also buy a reel of cable, which you can cut to any length, and attach the plugs that fit in the computer to either end. We sell cables, reels, plugs and the tools needed to make cables.

Cable connections enable faster and more reliable data connections than wireless. That can reduce the risk of connections breaking down when you are in the middle of a task. Cable connections can also connect devices that would be too far apart for a wireless connection, although that might require a very long cable and you might have to drill holes in walls to get the cable from one machine to the other.

Call centre support



If I buy a computer, is there a limit to the number of times that I can contact your call centre for technical support?

Response

Our technical support continues for 3 months after you make a purchase. That should give you plenty of time to set up your new machine and to make any adjustments to meet your needs.

You can phone our call centre as often as you need to during that initial 3 months. By then, your equipment should be working to your satisfaction and our call centre support will cease.



Management Case Study Exam

Maximum Time Allowed: 3 Hours

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:

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

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

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: James Tan, Senior Financial Manager

To: Financial Manager

Subject: FWD: Data breach

Hi,

I have forwarded an email that I received from Hazel Munro, the Finance Director.

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

- Firstly, identify with reasons the stakeholders affected by this problem, discussing each stakeholder's power and interest.
[sub-task (a) = 60%]

- Secondly, discuss the extent to which the new team leader of the technicians, who refurbish PCs, should be held responsible for this problem.
[sub-task (b) = 40%]

Regards

James

The email forwarded by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: James Tan, Senior Financial Manager
Subject: Data breach

Hi James,

There appears to have been a problem with a consignment of 100 laptops that we purchased from Lamland Commercial Bank 3 months ago. The laptops had been used by bank staff to process customers' loan applications. The bank sold these laptops to Ressett after replacing them with a newer model.

As usual with any purchase of used PCs, Ressett agreed to securely and permanently delete all data and uninstall all software from each of the laptops. Our Inventory Department staff have the necessary software required to do so.

These laptops have now been sold to individual customers. Unfortunately, we have received complaints from six customers who discovered that the machines still had data relating to bank customers and software packages that were licensed for use by the bank. We are unsure whether these are the only laptops in this condition or whether there might be others.

Our Inventory Department includes a team of ten technicians who are responsible for refurbishing PCs. One of those technicians is designated team leader. There was some recent disruption to the staffing of that team at the time when the laptops were acquired from the bank. The disruption arose because the team leader and four of the other members left Ressett. One of the remaining team members was promoted to team leader and five technicians were recruited as replacements. The newly promoted team leader was made responsible for training the new team members in procedures, including deleting data and uninstalling software.

We need to discuss this before tomorrow's Board meeting.

Regards

Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Data breach

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Indent, Outdent, Bulleted list, Numbered list, Decrease indent, Increase indent.

Large empty text area for the candidate's response.

Reference Material

Pre-seen

Three days later, you receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: Refurbished PCs

Hi,

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

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

- Firstly, recommend with reasons the matters that Ressett's Board should consider in relation to the constraints of time, cost and quality when organising the project agreed upon during the Board meeting.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the accounting treatment for legal claims in relation to PCs sold with data and unauthorised software. Assume that the claims will not be finalised before the end of the current financial year.

[sub-task (b) = 40%]

Regards

James

The extract from the Board Minutes referred to by James can be viewed by clicking on the Reference Material button above.

Extract from minutes of Board meeting

Refurbished PCs

Paul Gachanja, Operations Director, informed the Board that a senior manager from the Inventory Department had interviewed the team leader and team members who had been responsible for securely deleting data and uninstalling software from the used PCs that Ressett had purchased from Lamland Commercial Bank. The interviews revealed the following:

- PCs are refurbished by a team of ten technicians, including the team leader.
- Five members of the team, including the team leader, resigned from Ressett approximately 3 months ago. One of the remaining team members was promoted to team leader and five new members were recruited from outside the company.
- It took a month before the five new team members were available to start working for Ressett. A backlog of PCs for refurbishment built up during that time. The team leader had very little time to train the new team members because of this buildup.
- The new team members admit that they did not fully understand how to permanently delete data or uninstall software when they first joined the team. They have since learned to do so.

Lamland Commercial Bank sold Ressett a consignment of 100 laptops just before the new team members started work. Ressett has since resold all of those laptops to individual customers. It is now known that six of those laptops were not refurbished properly before their resale and so contained data and software belonging to the bank. It is not known whether any of the other laptops from this consignment were resold without being refurbished.

Lamland Commercial Bank is threatening to take legal action against Ressett, seeking compensation for the reputational damage caused by the leak of its customer data. The bank claims to have received a great deal of negative publicity when the leak was first reported. It also suffered some inconvenience due to it being in breach of the licence conditions relating to the software on the six laptops. The bank is also concerned that more than six of the 100 laptops were sold with data and software.

Action point:

Ressett's Board agreed to organise a project to investigate whether more than six of the Lamland Commercial Bank laptops might have been sold without being refurbished correctly. The project team will also attempt to locate and recover any laptops that have not been fully refurbished.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: RE: Refurbished PCs

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Indent, Outdent, Bulleted list, Numbered list, Decrease indent, Increase indent.

Reference Material

Pre-seen

Two months later, Ressett's Board has investigated the problems that led to the sale of PCs obtained from Lamland Commercial Bank. These PCs were sold while still containing confidential data and unlicensed proprietary software. The investigation revealed that 40 of the 100 PCs obtained from the bank had been sold in this condition.

You receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: FWD: Refurbishing PCs

Hi,

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

I need your advice on two matters before I meet with her:

- Firstly, recommend with reasons the ways in which the concepts underlying total quality management (TQM) might be incorporated into the refurbishment of PCs.

[sub-task (a) = 60%]

- Secondly, in order to encourage internal trading that would benefit Ressett as a whole, identify and evaluate the difficulties associated with determining the opportunity costs of technician time for setting transfer prices for temporary staff secondments.

[sub-task (b) = 40%]

Regards

James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: James Tan, Senior Financial Manager
Subject: Refurbishing PCs

Hi James,

I have just met with Paul Gachanja, our Operations Director, whose responsibilities include the management of the Inventory Department. We discussed possible ways to prevent a recurrence of the sale of refurbished PCs that had not been properly cleared of data and licensed software.

Paul believed that there were two main reasons for the mistakes made during the refurbishment of this consignment of PCs. The first was that five of the ten team members responsible for this task lacked experience when the PCs were acquired. The second reason was that even experienced team members often made mistakes when large consignments of computers were being refurbished to make them ready for sale.

Paul asked for my opinion on the potential benefits of introducing total quality management (TQM) to improve the performance of the team responsible for refurbishing PCs.

Paul was also interested in reorganising departments as profit centres and encouraging internal trade between department heads. For example, he believed that Ressett would benefit if it was possible for the Inventory Department to bid for the secondment of computer technicians from the Buying Department and the Sales Department, so that there was less pressure on Inventory Department technicians when large consignments of PCs required refurbishment before sale.

Regards

Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: Refurbishing PCs

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[Reference Material](#)[Pre-seen](#)

A month later, James Tan stops by your workspace.

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

I need your advice on two matters:

- Firstly, evaluate the impact that the Buying Director's proposal would have on the contractual inadequacy risks associated with Ressett's resale of used PCs.
[sub-task (a) = 40%]

- Secondly, in the event that the Buying Director's proposal is implemented, recommend with reasons the associated disclosures that could be made in Ressett's integrated report in relation to:
 - intellectual capital.
 - social and relationship capital.
 - natural capital."**[sub-task (b) = 60%]**

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from minutes of Board meeting
Refurbishing PCs prior to sale

Jaime de Almeida, Buying Director, proposed a new approach to ensuring that data and software is removed from used laptops and desktop PCs. He suggested that Ressett should change its terms of business by requiring owners of used computers to use security software to delete everything from the storage of their machines, including data, software and operating systems, before delivering them to Ressett. This is a simple task that can be done quickly and the corporate entities who sell their used PCs to Ressett would have the expertise to do so.

The refurbishment team in Ressett's Inventory Department would then install an operating system on each refurbished laptop and desktop PC. Ressett can buy licensed copies of operating systems at substantial discounts, so the cost of installing a fresh copy on every refurbished desktop and laptop would be negligible. Installing an operating system on a blank device would be quicker than securely removing data and software.

Tablets are simpler devices. They can be reset to factory condition with a simple command that permanently removes all data and software other than the operating system. The Buying Director proposed that sellers should be instructed to perform such a reset before delivery.

There would be no need to change the procedures for "new" and "as new" PCs because they do not have data or software installed when they are acquired by Ressett.

Reference Material

Pre-seen

Provide your response to James' requests in in the box below.

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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: 3 Hours

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:

Section number	Time for section (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 section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

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

[Reference Material](#)[Pre-seen](#)

James Tan, Ressett's Senior Financial Manager, stops by your workspace:

"I have brought you an extract from a report 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 changes that the proposed consultancy venture would require in Ressett's business model.
[sub-task (a) = 60%]
- Secondly, discuss the features of equity (in the form of ordinary shares) that would affect its suitability for the financing of the consultancy venture. Please remember that Ressett is unquoted."
[sub-task (b) = 40%]

The extract referred to by James, and Ressett's Business Model, can be viewed by clicking on the Reference Material button above.

Proposal to establish corporate sales consultancy team**Executive summary**

Prepared by Fatima Seedat, Senior Sales Manager

Virtually all of Ressett's corporate customers are entities that have limited budgets and little knowledge of IT, such as schools and charities. Corporate customers who wish to place a large order for PCs and peripherals that could be used to create or upgrade an IT system often seek advice from Ressett's call centre staff.

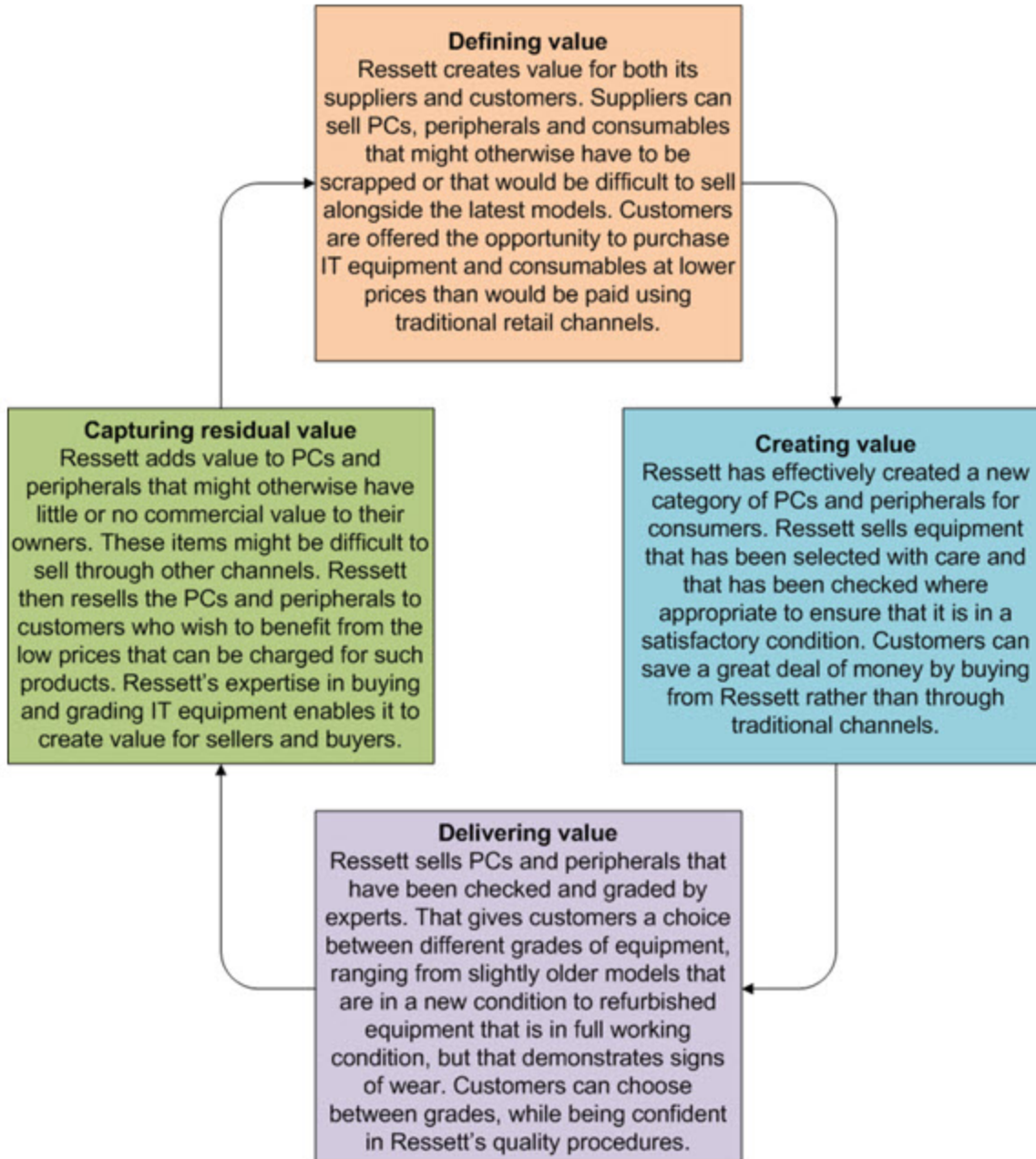
Ressett's call centre staff are trained in computing and can answer questions about the models that we have on sale. Ressett does not, however, allow them to recommend specific machines or to advise customers on the configuration of IT systems. There is a risk that call centre staff will not understand the customers' needs or intentions sufficiently for them to provide accurate advice. For example, a school might ask about a suitable configuration for a computer lab that could be used to teach pupils, which would require an understanding of the school curriculum and the specific uses to which the lab will be put.

It is proposed that Ressett should establish a consultancy team that could assist corporate clients as follows:

- The consultants will use video conferencing to meet with customers to discuss their needs and will recommend the most suitable equipment that Ressett has in inventory and that meets customers' needs.
- The consultants will provide a written plan for the physical layout of the system, including identifying the cables that would be required to make the connections. If necessary, the consultants will make cables in non-standard sizes and will ship them to the customer.
- The consultants will be available by telephone or video conferencing to offer customers unlimited advice on the installation and operation of their equipment for the first month after purchase. Consultants will be available for up to 1 hour each month thereafter to answer any questions for 2 years after purchase.

This service would be offered to customers who wish to build an IT system using PCs and peripherals purchased from Ressett. The fee for the service will be lower than that charged by traditional consultancies who provide impartial advice about the choice of hardware.

The Sales Department would have to recruit 12 consultants. Ressett will have to invest L\$3.0 million in order to provide the consultants with a suitably equipped workspace.

Ressett's business model

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

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[Reference Material](#)[Pre-seen](#)

A month has passed. Ressett's Board is still considering whether to create a consultancy service.

You receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: FWD: Consultancy team

Hi,

I have attached an email from our Finance Director.

I need your advice on two matters arising from this email:

- Firstly, identify and evaluate the challenges associated with creating an effective team to provide the consultancy services.
[sub-task (a) = 40%]
- Secondly, recommend with reasons whether the consultancy should be established as a cost centre, a profit centre or an investment centre.
[sub-task (b) = 60%]

Regards

James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: James Tan, Senior Financial Manager
Subject: Consultancy team

Hi James,

The Board is still considering whether to create a consultancy team to provide IT system design services to corporate customers that do not have sufficient expertise at their disposal to undertake those tasks themselves.

If we proceed, we intend to create a team of 12 consultants. Team members will be appointed both by transferring staff from within Ressett and external recruitment.

We anticipate that the consultancy team's workload will vary throughout the year. Consultants will work in Ressett's call centre if there is insufficient consultancy work to keep them fully occupied.

Regards

Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Consultancy team

Rich text editor toolbar with icons for: Undo, Redo, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Text Color, Paragraph, Table, Bulleted List, Numbered List, Indent Left, Indent Right, Decrease Indent, Increase Indent.

Reference Material

Pre-seen

Two months later, the Board has decided to establish a Consultancy Department that will make sales to corporate customers.

You receive an email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: Consultancy

Hi,

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

I am preparing to meet with the Finance Director and need your advice on two matters:

- Firstly, recommend with reasons a suitable strategy for setting transfer prices between the Sales Department and the Consultancy Department that will optimise internal trade from Ressett's perspective.

[sub-task (a) = 60%]

- Secondly, explain how Ressett should recognise the revenue from consultancy sales contracts in its financial statements.

[sub-task (a) = 40%]

Regards

James

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from minutes of Board meeting

Consultancy

The Board discussed some of the implementation issues associated with the creation of the new consultancy service. It has been decided that the existing Sales Department will be organised as a profit centre. The Sales Department will set selling prices for all PCs, peripherals and consumables and those items will be offered for sale to individual customers through Ressett's website. The Sales Department will bear the costs incurred by the Buying Department and Inventory Department for the acquisition and processing of PCs, peripherals and consumables.

The Consultancy Department will be organised as a profit centre and will be kept separate from the Sales Department. When the Consultancy Department receives a query from a customer, it will check Ressett's website for the availability of suitable PCs and peripherals. These will be transferred from the Sales Department to the Consultancy Department using a transfer pricing model that has yet to be determined.

The Consultancy Department will sell PCs and peripherals at a small discount to the prices charged in Ressett's website. It will add consultancy fees on top. A consultancy contract will be priced as follows:

- A small fee to cover initial video conferencing meetings with customers to determine their needs and to price the contract.
- If the Consultancy Department's bid is accepted, the system will be designed, incorporating the PCs and peripherals drawn from Ressett's inventory. A charge will be made for the design work, for the PCs and peripherals and for any cables that have to be made. Customers will install the systems, using the design document prepared by Ressett's Consultancy Department.
- The client will be invoiced on the delivery of the equipment. Consultants will then be available by telephone or video conferencing to offer customers unlimited advice on the installation and operation of their equipment for the first month after purchase. After that, consultants will be available to advise for up to 1 hour each month for 2 years after purchase.
- Customers will be invoiced for the initial consultation fee when they receive Ressett's bid. All other charges, including aftersales support, will be invoiced when the equipment is delivered.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: RE: Consultancy

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Large empty text area for writing the response.

Reference Material

Pre-seen

A month later, you receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: FWD: Consultancy

Hi,

I have forwarded an email from the Finance Director.

I need your advice on two matters before I reply to this email:

- Firstly, identify and evaluate the product reputation, commodity price and contractual inadequacy risks associated with the proposed consultancy service.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the matters that should be reflected in relation to the proposed consultancy service under natural capital in Ressett's integrated report.

[sub-task (b) = 40%]

Regards

James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: James Tan, Senior Financial Manager
Subject: Consultancy

Hi James,

We are close to launching our new consultancy service, which will advise corporate customers on the design and installation of IT systems. Our Consultancy Department will use video conferencing to meet with customers and will provide detailed recommendations that reflect customer needs. All systems will consist of PCs and peripherals from Ressett's normal inventory. Customers will install the systems themselves, using detailed plans that will be supplied by our consultants. There will also be aftersales service in the form of unlimited video conferencing with our consultants for a month from purchase and limited video conferencing for the next 2 years.

We believe that this service will be popular with corporate customers such as schools and charities, who require IT systems but cannot afford to pay traditional consultants to install new PCs and peripherals.

The Board will meet tomorrow to discuss some last-minute concerns before we launch this service.

The Board wishes to discuss the business risks associated with this new service. Our discussion will cover product reputation risk, commodity price risk and contractual inadequacy risk.

Regards

Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Consultancy

Empty response box for the candidate's answer.



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: 3 Hours

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:

Section number	Time for section (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) 40% (b) 60%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

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: James Tan, Senior Financial Manager
To: Financial Manager
Subject: Recycling proposal

Hi,

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

I need your advice on two matters before I meet with the Finance Director to discuss this proposal:

- Firstly, identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of the Marketing Director's proposal.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the approach that Ressett should take to the negotiation of the terms for the sale of electronic waste to sustainable disposal specialists such as Crushter.

[sub-task (b) = 40%]

Regards

James

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from Board minutes**Proposal to recycle customers' old equipment**

Yaru Chia, Marketing Director, submitted a proposal that Ressett should offer to recycle customers' old PCs and peripherals. Under this proposal, couriers making deliveries will offer to uplift an item of equipment from the same category for every item delivered. For example, a customer who buys a laptop and a printer from Ressett will be able to return an old laptop and printer for recycling.

Old equipment uplifted under this proposal will belong to Ressett. It will be Ressett's responsibility to dispose of it in a sustainable manner.

The Marketing Director pointed out that all PCs and peripherals have circuit boards and electronic components that contain small quantities of precious metals. For example, a desktop computer contains up to 0.2 grammes of gold and a laptop up to 0.03 grammes. An efficient recycling process can yield metals worth up to L\$15.00 from a desktop PC, L\$1.20 from a laptop and L\$0.15 from a tablet or peripheral.

The Marketing Director has had an initial meeting with Crushter, a company that specialises in the sustainable disposal of desktop and laptop computers. Crushter dismantles these computers and extracts all reusable metals and materials, including plastics and non-precious metals. Crushter charges for this service because the cost of dismantling and recycling electronic waste often exceeds the revenue generated from the sale of materials.

The Board discussed the possibility that this proposal would increase sales. It was hoped that customers would be attracted by the availability of the sustainable recycling of their old equipment, at no additional cost to themselves. The physical destruction of their old equipment will ensure that data cannot be accessed. The only concern would be for Ressett to reach a mutually acceptable agreement with a recycling specialist such as Crushter.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: RE: Recycling proposal

Rich text editor toolbar with icons for: New, Undo, Redo, Bold, Italic, Underline, Strikethrough, Superscript, Subscript, Link, Paragraph, Table, Bulleted List, Numbered List, Indent, Outdent.

Reference Material

Pre-seen

Three months later, you receive an email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: FWD: Resale of laptops for recycling

Hi,

I have forwarded an email from the Finance Director.

I need your advice on two matters before I discuss this email with the Finance Director:

- Firstly, evaluate the arguments for and against the membership of the proposed project team being restricted to senior managers from the Sales Department.

[sub-task (a) = 60%]

- Secondly, evaluate the advantages and disadvantages of inviting buyers of these laptops to bid for them rather than setting fixed prices.

[sub-task (b) = 40%]

Regards

James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: James Tan, Senior Financial Manager
Subject: Resale of laptops for recycling

Hi James,

Ressett's recycling service has been in operation for almost 2 months. Roughly 60% of our customers have been recycling old equipment since the service began. We have noticed that many of the laptops sent for recycling are in reasonable condition and might be of interest to buyers looking for inexpensive pre-owned computers.

Yaru Chia, our Marketing Director, has proposed the creation of a project team, comprising senior managers from the Sales Department, to investigate the feasibility of selling acceptable laptops submitted for recycling. Yaru expects that the system for these sales would operate as follows:

- Laptops that are reasonably up to date will be tested to ensure that they are in full working condition. If they are, then any data will be securely deleted and software removed from the laptops before they are sold. Laptops that do not meet these criteria will be dismantled and recycled in the usual way.
- Laptops selected for sale will not be suitable for listing and sale through Ressett's website. They will be sold through a third-party online marketplace. The Sales Department will photograph each laptop and classify it according to its condition, using the online marketplace's categories.
- Laptops will be listed on the online marketplace for 7 days and bids will be invited. No reserve price will be set, so the highest bidder will obtain the laptop. Laptops will be dispatched immediately after buyers make payment by credit or debit card in order to avoid negative feedback for slow delivery.

Regards

Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Resale of laptops for recycling

Rich text editor toolbar with icons for: New document, Undo, Redo, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Bulleted list, Numbered list, Indent, Outdent.

Large empty text area for writing the response.

[Reference Material](#)[Pre-seen](#)

A month later, James Tan stops by your workspace:

"I have brought an extract from a report 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 whether the proposed "Recycling" responsibility centre within Ressett for the preparation and sale of laptops would be better organised as a cost centre or a profit centre.

[sub-task (a) = 40%]

- Secondly, identify and explain the matters that would have to be agreed in establishing the new company so that it might be accounted for as a joint venture in Ressett's financial statements and explain the accounting implications for Ressett's financial statements of doing so."

[sub-task (b) = 60%]

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Managing the sale of laptops supplied for recycling

Executive summary

Prepared by Gregor Colville

Many of the laptops submitted to Ressett's Sales Department for recycling are in reasonable condition and are likely to attract bids if they are offered for sale through an online marketplace. The Sales Department has experimented with doing so for the past month and has generated a significant amount of revenue.

Unfortunately, it has been difficult to tell whether these sales have benefitted Ressett. The Sales Department has had to seek the support of the Inventory Department in order to prepare selected laptops for resale. That has distracted Inventory Department staff from their usual duties.

The Sales Department proposes that the Board considers the following alternatives:

- Establishing a separate responsibility centre ("Recycling") within Ressett for the preparation and sale through online marketplaces of suitable laptops submitted for recycling. This would be staffed by employees who would be trained and equipped to refurbish laptops by securely deleting data and removing software before listing them for sale and shipping them to buyers. Recycling will not be responsible for the disposal of unsuitable laptops that are submitted for recycling.
- Establishing a company that would operate as a joint venture between Ressett and Crushter, the recycling specialist. The new company would receive all IT equipment submitted to Ressett for recycling. Suitable equipment would be refurbished and sold through an online marketplace and the remainder would be dismantled and all recyclable materials sold.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

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[Reference Material](#)[Pre-seen](#)

Three months later, Ressett has established a new responsibility centre that deals with all items of IT equipment submitted by customers for recycling. This was created in place of the schemes that were previously under consideration.

James Tan invites you into a meeting room:

"I have brought 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, evaluate the product reputation and contractual inadequacy risks that might emerge from the feedback concerning the new recycling scheme.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the disclosures that should be made in Ressett's integrated report in relation to the impact of the recycling scheme on Ressett's:
 - human capital.
 - social and relationship capital.
 - natural capital."

[sub-task (b) = 60%]

The extract referred to by James can be viewed by clicking the Reference Material button above.

Extract from Board minutes**Laptop sales**

Yaru Chia, Marketing Director, reported on the initial results for the new recycling scheme. Since the service began, 60% of customers have recycled old equipment while purchasing goods through Ressett's website.

80% of the laptops collected through this scheme have been dismantled by Crushter, a third-party recycling company that recovers materials that can be reused for manufacturing new electronics. Crushter charges Ressett a fee for this service because the cost of dismantling laptops exceeds the value of the materials recovered.

The remaining 20% of the laptops are refurbished for sale through an online marketplace, using a seller account created by Ressett.

Feedback from customers has been positive, but there have been some negative issues raised. The following points have been raised repeatedly:

- Many customers appreciate the opportunity to recycle the scarce materials contained in their old equipment.
- Some customers resent the fact that Ressett keeps the proceeds from the disposal of their old equipment, particularly when laptops are sold in full working condition through the online marketplace.
- A significant minority of buyers who have purchased laptops through the online marketplace have complained that the laptops are older and showing more signs of wear than they would expect from laptops purchased through Ressett's main website.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

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Empty text area for response.



Thank you for completing the Management Case Study Exam.

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



Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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

Click **Next** to start the test.

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3	45	1	2	(a) 40% (b) 60%
4	45	1	2	(a) 60% (b) 40%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

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

[Reference Material](#)[Pre-seen](#)

James Tan, Senior Financial Manager, stops by your workspace:

"I have brought a copy of a news article that has just been posted online.

The Board is concerned that consumables are no longer available for many of the peripherals that we sell. Customers are complaining about shortages of consumables such as ink and toner cartridges and recordable media such as blank recordable DVDs for the DVD writers that we sell.

I wish to discuss two matters with you before I meet the Finance Director:

- Firstly, recommend with reasons how Ressett should adjust its business model in response to the shortages of consumables. **[sub-task (a) = 60%]**
- Secondly, evaluate the impact that shortages of consumables might have for Ressett's product risk, commodity price risk and product reputation risk." **[sub-task (b) = 40%]**

The news article referred to by James, and Ressett's Business Model, can be viewed by clicking on the Reference Material button above.

Lamland Business Daily

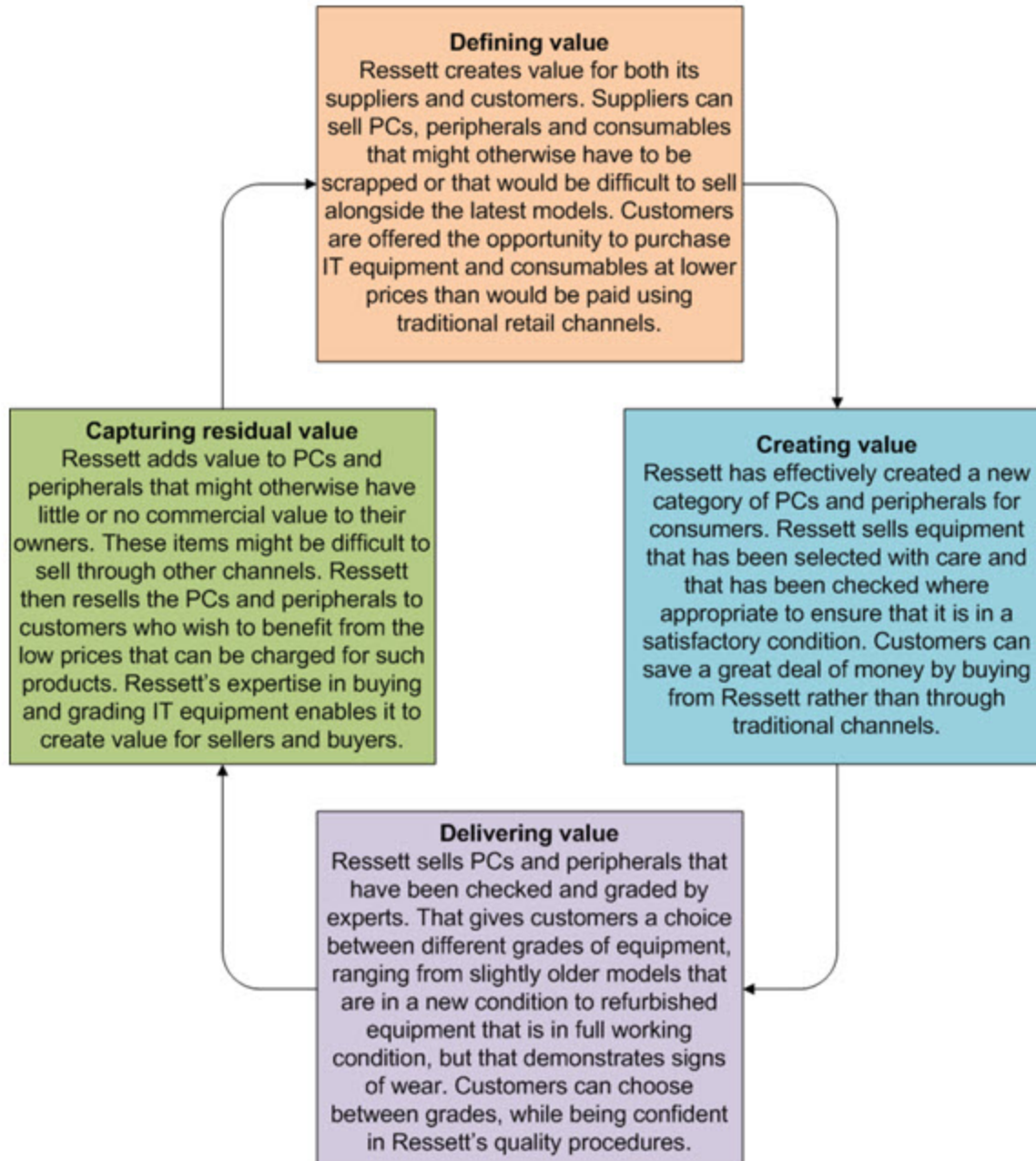
IT consumables in short supply



Consumers have been advised to take care when purchasing computer peripherals that require consumables. For example, printers require cartridges containing ink or toner in order to print text, graphics or pictures. Those cartridges must be replaced when their ink or toner has been consumed.

Changes in technology have reduced demand for many consumables. For example, it is now far more common to share documents by emailing them to colleagues rather than printing them and providing a physical copy. Similarly, photographs are generally viewed on screen rather than as prints.

One consequence of these changes is that the life expectancy of peripherals depends on the availability of consumables. For example, a laser printer might be in excellent working order, but it cannot be used to make prints if it has run out of toner and its manufacturer has stopped making replacement toner cartridges.

Ressett's business model

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

Rich text editor toolbar with icons for: New, Cut, Copy, Paste, Undo, Redo, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Bulleted List, Numbered List, Indent Left, Indent Right, Decrease Indent, Increase Indent.

Reference Material

Pre-seen

A month later, you receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: Printer cartridges

Hi,

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

I require your advice on two matters before I discuss this email with the Finance Director:

- Firstly, recommend with reasons the real options that might be created in order to manage the risks associated with investing in the manufacture of printer cartridges.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the way in which the Board should resolve the conflict between the Marketing Department and the Sustainability Champion with respect to the introduction of the manufacture of printer cartridges.

[sub-task (b) = 40%]

Regards
James

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from Board minutes

Yaru Chia, Marketing Director, proposed that Ressett should manufacture cartridges for printers produced by Superprint. She offered the following arguments in support of her proposal:

- Ressett has a large inventory of “new” and “as new” Superprint Model 50 printers. The Model 50 sold strongly for 2 years, until Superprint ceased its production 6 months ago, after it launched the improved Superprint Model 60.
- New Model 50 printers are supplied with a full set of inkjet cartridges. Ressett has a small quantity of replacement cartridges in inventory. Superprint no longer manufactures cartridges for its Model 50.
- Ressett has sufficient space in its warehouse to install equipment that can manufacture Model 50 printer cartridges. These could be sold as accessories for sales of new and as new Model 50 printers. There would also be demand from existing owners of these printers. It is estimated that there are 400,000 Model 50 printers in regular use in Lamland.
- Ressett has sold, and continues to sell, a wide range of popular printers. The Superprint Model 50 is, however, the most popular sold by Ressett and is expected to remain so for the foreseeable future.

Paul Gachanja, Operations Director, informed the Board that inkjet cartridges are difficult to recycle because they use a mixture of plastic and metal in their manufacture. They also contain very little ink, which means that customers have to replace their cartridges frequently. The Operations Director expected a complaint from the Senior Manager in the Inventory Department who is Ressett’s “Sustainability Champion”.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: RE: Printer cartridges

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Table, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Bulleted list, Numbered list, Indent, Outdent.

Large empty text area for writing the response.

Reference Material

Pre-seen

Two months later, Ressett has commenced production of printer cartridges. You receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: FWD: Manufacturing printer cartridges

Hi,

I have forwarded an email that I received from Hazel Munro, the Finance Director.

I need your advice on two matters before I meet with Hazel:

- Firstly, evaluate the characteristics of debt that would affect its suitability for financing the Marketing Director's proposal.
[sub-task (a) = 40%]
- Secondly, recommend with reasons the impact that the Marketing Director's proposal should have on manufactured capital, intellectual capital and social and relationship capital in Ressett's integrated report.
[sub-task (b) = 60%]

Regards
James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: James Tan, Senior Financial Manager
Subject: Manufacturing printer cartridges

Hi James,

Our first batch of cartridges for Superprint Model 50 printers has proved highly successful. The cartridges themselves sold well and the availability of good quality cartridges also increased sales of Model 50 printers.

Yaru Chia, Ressett's Marketing Director, believes that Ressett should sell a wider range of printers and printer cartridges. She proposes that we should buy as many new and as new printers as are available in bulk from printer manufacturers, including Superprint, and retailers. Sales of those printers would be supported by guaranteeing that Ressett will manufacture cartridges for them for as long as there is demand.

The Marketing Director's proposal will require an investment of L\$12 million in property, plant and equipment and in inventory of printers and cartridges.

Regards
Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Manufacturing printer cartridges

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Indent, Outdent, Bulleted list, Numbered list, Decrease indent, Increase indent.

Large empty text area for writing the response.

[Reference Material](#)[Pre-seen](#)

A month later, you receive the following email:

From: James Tan, Senior Financial Manager

To: Financial Manager

Subject: Printer sales

Hi,

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

I need your advice on two matters before I discuss the points raised with the Finance Director.

- Firstly, use life-cycle costing principles to evaluate the Marketing Director's proposed approach to the sale of printers and ink cartridges.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the approach that Ressett's Board should take to explaining the impact of the facts described by Hazel Munro in relation to the interpretation of Ressett's return on capital employed (ROCE) and gross profit % ratios.

[sub-task (b) = 40%]

Regards

James

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from Board minutes

Jaime de Almeida, Ressett's Buying Director, informed the Board that the Buying Department had purchased large quantities of new and as new inkjet printers. Inkjet printers are popular with individuals who wish to print correspondence and photographs. These printers had been purchased as surplus stocks from several manufacturers and retailers. None are currently being manufactured and their ink cartridges are in short supply. Ressett now holds 10 different models of inkjet printer, each of which requires its own unique cartridges. These printers have not yet been offered for sale. Ressett is capable of manufacturing cartridges for each model of inkjet printer that it holds.

Yaru Chia, Ressett's Marketing Director, recommended that Ressett should concentrate on one model of inkjet printer at a time, focussing on optimising the lifecycle of each printer model in turn. In her opinion, the lifecycle should consist of:

- designing the cartridges for one model of printer.
- manufacturing those cartridges in bulk.
- listing the printer on Ressett's website and promoting that printer heavily until all units have been sold.

This approach is based on the Marketing Director's understanding of the lifecycles of printers and printer cartridges from Ressett's perspective as a reseller.

Hazel Munro, Ressett's Finance Director, informed the Board that the heavy investment in printers and printer cartridges will complicate the interpretation of Ressett's financial statements for the financial year that is about to end. The funds required for the investment in production capacity occurred 6 months before the year end and the manufacture and sale of cartridges commenced 3 months before the year end. The Finance Director is concerned that shareholders will be confused when they calculate return on capital employed (ROCE) and gross profit %, bearing in mind that there is a high markup on ink cartridges.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: RE: Printer sales

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Text color, Paragraph, Table, Indent left, Indent right, Decrease indent, Increase indent, Bulleted list, Numbered list, Decrease indent, Increase indent.



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: 3 Hours

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:

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

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

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: James Tan, Senior Financial Manager

To: Financial Manager

Subject: Call centre performance

I have attached 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, recommend with reasons three key performance indicators that could be used by Ressett's Board to track the call centre's performance.

[sub-task (a) = 60%]

- Secondly, recommend with reasons whether calls should be allocated to advisers on the basis of availability or expertise.

[sub-task (b) = 40%]

Regards

James

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from Board minutes

Evaluation of call centre performance

The Board requested a report from Yaru Chia, Ressett's Marketing Director, on the performance of the company's call centre. The call centre operates for 12 hours each day, 7 days each week. The call centre employs a total of 110 advisers, who work on a shift basis.

The call centre can be contacted by telephone, using a number that is provided on Ressett's website. Typical customer queries raised through the call centre include:

- Technical questions about PCs and other equipment listed on Ressett's website.
- Queries about the availability of bulk quantities of PCs required by corporate customers.
- Customer complaints about late deliveries and defective goods.
- Requests for technical advice relating to recent purchases.

Advisers log the nature of the call and its result, such as whether the customer placed an order after seeking pre-sales advice or whether the customer was offered information in relation to after-sales enquiries about deliveries or technical issues. The system automatically tracks customers' phone numbers and maintains a record of their call histories.

Advisers do not specialise in particular tasks such as technical advice or tracking late shipments. Advisers are allocated calls on the basis of their availability. Incoming calls are routed to any adviser whose line is free. If all lines are engaged, then the phone system plays a message asking customers to hold for the next available adviser.

The call centre uses a computerised telephone exchange that can be configured to track a wide range of information about incoming calls, such as the customers' phone numbers, the frequency of calls from each customer and the duration of their calls. The exchange can handle many incoming calls simultaneously.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: RE: Call centre performance

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Indent, Outdent, Bulleted list, Numbered list, Decrease indent, Increase indent.

[Reference Material](#)[Pre-seen](#)

A month later, James Tan joins you at your workspace:

"I have brought you a copy of a news article that I found online. I believe that we could replace most of the 110 advisers whom we employ in our call centre with a chatbot. Many of the calls to the call centre are requests for assistance in relation to one or more from a narrow range of topics including:

- Basic technical questions about the specifications of different PCs.
- Questions about availability and delivery times.
- Queries about late deliveries and complaints about defective goods.
- Simple requests for product support, such as connecting a printer to a PC.

I require your advice on two matters before I discuss this article with the Finance Director:

- Firstly, recommend with reasons whether or not the Board should view the introduction of a chatbot as a disruptive technology.
[sub-task (a) = 60%]
- Secondly, identify and evaluate the challenges associated with maintaining the engagement of call centre advisers in training a chatbot."
[sub-task (b) = 40%]

The news article referred to by James can be viewed by clicking on the Reference Material button above.

Lamland Business Daily

Automated chatbots



Chatbots consist of software that can offer responses to questions typed into a webpage. For example, a bank might use a chatbot to identify an account that would suit a customer's needs.

Chatbots offer a number of advantages. They enable businesses to offer customer support 24 hours a day, 7 days a week. That support will, hopefully, be consistent. It will also offer the potential for a significant reduction in salary costs. Ideally, the chatbots will address most customer queries, making it possible to replace human staff with chatbots.

The effectiveness of chatbots depends on their ability to offer customers relevant and accurate responses. Paradoxically, that often depends heavily on the active engagement of human operators. For example, a bank might use software to analyse online customer queries and to identify patterns in the responses offered by bank staff. These patterns would then be used to suggest responses to a large sample of past queries. Human operators would review those responses to check their suitability. If responses are correct, then the chatbot is ready to go live.

The whole process of gathering data, such as customer queries and responses to those queries, and processing that data using software before testing the validity of the responses provided by the chatbot is known as "training".

Chatbots have the potential to provide rapid and helpful responses to customer queries, provided they are tested thoroughly by human experts.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

Rich text editor toolbar with icons for: New, Cut, Copy, Paste, Undo, Redo, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Bulleted List, Numbered List, Indent Left, Indent Right, Decrease Indent, Increase Indent.

Reference Material

Pre-seen

A month later, you receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: FWD: Investment in chatbot

Hi,

I have forwarded an email that relates to the proposal to introduce a chatbot.

I need your help with the following matters before I discuss this email with the Finance Director:

- Firstly, recommend with reasons how the costs listed in Dipankar Ghosh's email should be accounted for in the financial statements for the current financial year.

[sub-task (a) = 60%]

- Secondly, evaluate the characteristics of debt that would affect its suitability for the financing of the costs listed in Dipankar Ghosh's email.

[sub-task (b) = 40%]

Regards
James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Dipankar Ghosh, Senior Sales Manager
To: James Tan, Senior Financial Manager
Subject: Investment in chatbot

Hi James,

The Sales Department management team has investigated the costs that will be involved in the acquisition and training of a chatbot:

	L\$ million
Cost of software	1.2
Salaries for chatbot training	1.8
Estimated redundancy payments	2.9
	5.9

Ressett's existing IT equipment will be capable of running the chatbot, so no additional hardware will be purchased.

The chatbot will require new software. The software licence will be granted for a period of 10 years, although superior programs are likely to be developed in the future.

Call centre staff will be required to train the chatbot as part of their existing duties, at a cost of L\$1.8 million. Once the chatbot has been trained and tested, Ressett will make 90% of the call centre staff redundant. The remaining 10% will be retained to maintain the chatbot and to deal with any customer queries that cannot be handled by the chatbot.

The costs of software and of salaries for chatbot training will be incurred during the present financial year. The redundancy payments will be made next financial year.

Regards
Dipankar

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Investment in chatbot

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Table, Bold (B), Italic (I), Underline (U), Strikethrough (ABC), Subscript (x₂), Superscript (x²), Link (Ix), Paragraph dropdown, Table dropdown, Bulleted list, Numbered list, Decrease indent, Increase indent, Bulleted list with indent, Numbered list with indent.

Large empty text area for the candidate's response.

Reference Material

Pre-seen

A month later, plans to replace call centre advisers with a chatbot are still being discussed. You receive the following email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: Extending access to technical support

Hi,

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

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

- Firstly, recommend with reasons which form Ressett should use to charge customers for additional technical support and recommend with reasons the basis on which your chosen form should be priced.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the basis for setting transfer prices for technical support that is optimal from the perspective of Ressett as a whole.

[sub-task (b) = 60%]

Regards
James

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from Board minutes**Extending access to technical support**

The Board agreed that all responses to requests for technical support will be handled by a chatbot that customers will access online through Ressett's website. Most call centre advisers will be made redundant, and those who remain will focus on processing customer queries about orders.

Yaru Chia, Ressett's Marketing Director, reminded the Board that customers are entitled to request technical support for their purchases for 3 months after they make a purchase. That restriction will continue after the introduction of the chatbot.

Paul Gachanja, the Operations Director, suggested that Ressett should consider offering customers the opportunity to pay to extend their technical support beyond the 3-month time limit. Such payments could take one of two forms:

- a subscription that would extend the period for seeking technical advice.
- a charge made for each technical query.

The Sales Department will be responsible for the maintenance of the chatbot, updating its training to deal with new models of equipment and new operating systems that are added to Ressett's product range. The Marketing Director expressed concern about the ability of the few remaining advisers to address those changes and stated that it might be necessary to outsource the training work to third-party consultants. The Operations Director suggested that the staff in the Inventory Department would have the necessary expertise to maintain the chatbot. The Sales Department and the Inventory Department are both organised as profit centres and so it should be possible to arrange a transfer price for such technical support that is optimal from the perspective of Ressett as a whole.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager

To: James Tan, Senior Financial Manager

Subject: RE: Extending access to technical support

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Text color, Paragraph, Table, Indent, Outdent, Bulleted list, Numbered list, Decrease indent, Increase indent.



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



Management Case Study Exam

Maximum Time Allowed: 3 Hours

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:

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

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

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

Reference Material

Pre-seen

James Tan, Senior Financial Manager, stops by your workspace:

"I have brought you a copy of a news article.

All of the computers that we sell are loaded with proprietary operating systems. We always install the latest versions of operating systems, which forces us to buy relatively up-to-date PCs for resale.

I have spoken to a senior manager in Ressett's Inventory Department. She confirmed that we could buy older computers that are not capable of running the latest proprietary operating systems but could run open-source operating systems. Several corporate entities would be keen to sell us older computers that could be refurbished to Grade A or Grade B standard and loaded with open-source operating systems.

I need your advice on two matters before I meet with Hazel Munro, our Finance Director:

- Firstly, identify and evaluate two ways in which selling older PCs with open-source operating systems would have an impact on Ressett's business model.

[sub-task (a) = 40%]

- Secondly, identify and evaluate the challenges associated with establishing a project team to offer a recommendation to the Board concerning selling older PCs loaded with open-source operating systems."

[sub-task (b) = 60%]

The article referred to by James, and Ressett's Business Model, can be viewed by clicking on the Reference Material button above.

Lamland Business Daily

Open-source operating systems increase in popularity

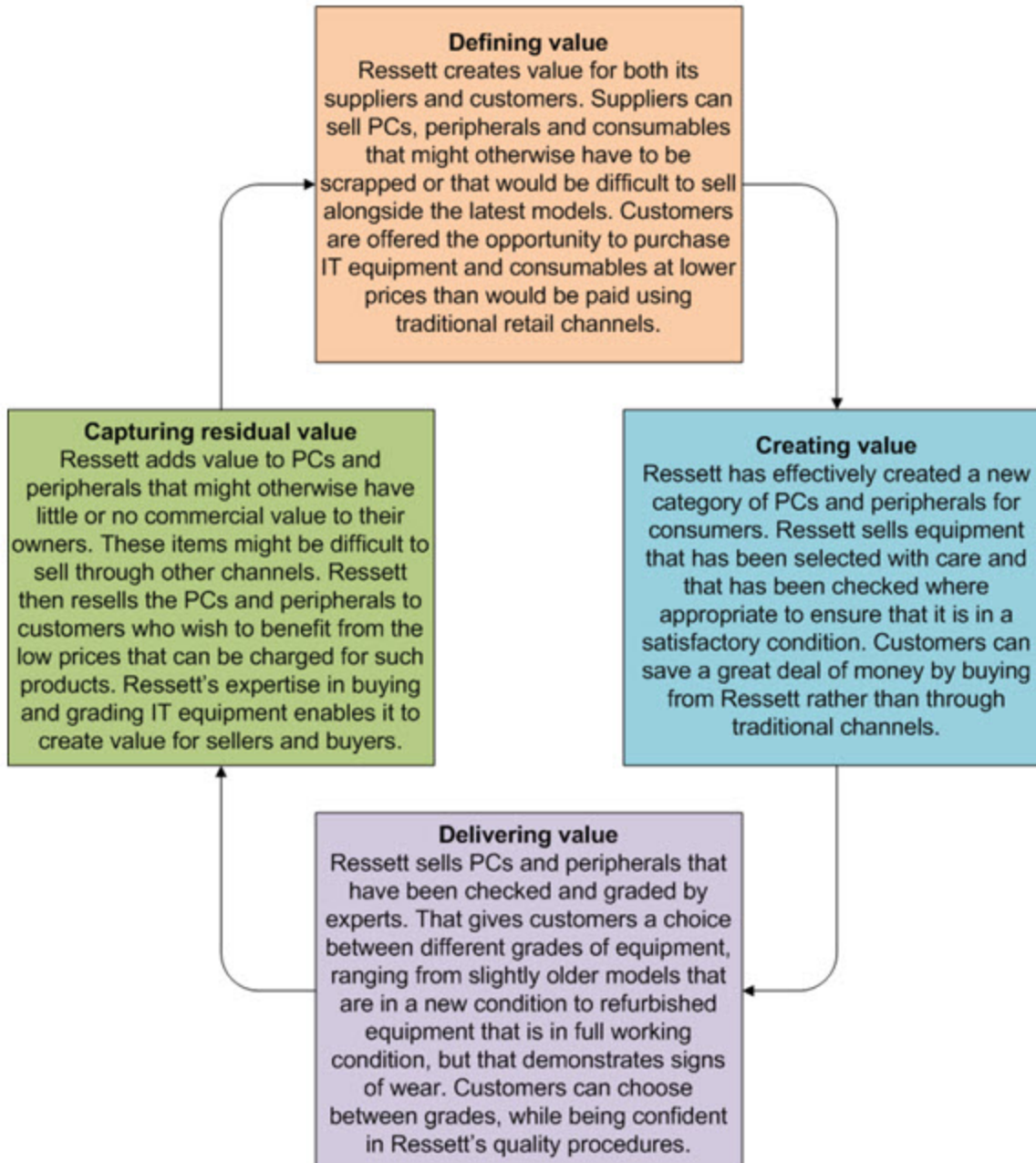


Computers rely on operating system software for everything that they do. The operating system loads automatically whenever a computer is switched on. Hardware and software will not work properly without a compatible operating system. Most users use proprietary operating systems, which means that the software is owned by a commercial publisher that requires customers to buy a licence in order to use it.

Many users upgrade their computers every few years in order to run the latest versions of proprietary operating systems. Those upgrades can be expensive. There is, however, an alternative in the form of open-source operating systems.

Open-source operating systems can be downloaded and used free of charge. A community of hobbyists works to correct any inefficiencies or security vulnerabilities in these operating systems. One advantage of open-source operating systems is that they rarely require the powerful hardware required by proprietary operating systems.

A further advantage to open-source operating systems is that they usually include "office" software that can create and edit files produced by proprietary office software. Installing open-source software can avoid the need to buy a suite of office programs for word processing, spreadsheets and presentations.

Ressett's business model

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

Rich text editor toolbar with icons for: Undo, Redo, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Text Color, Paragraph, Table, Bulleted List, Numbered List, Indent Left, Indent Right, Decrease Indent, Increase Indent.

Reference Material

Pre-seen

A month later, Ressett's Board is considering whether to extend its product range by refurbishing used PCs and installing open-source operating systems.

You receive an email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: Open-source operating system

Hi,

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

I require your advice on two matters:

- Firstly, identify and evaluate the difficulties associated with predicting the cash flows arising from Ressett's sale of older used PCs with open-source operating systems alongside its existing range of products. You should assume that Ressett will not proceed with the acquisition of Geefurb.

[sub-task (a) = 60%]

- Secondly, evaluate the difficulties associated with accounting for goodwill in the event that Ressett acquires Geefurb.

[sub-task (b) = 40%]

Regards
James

The extract referred to by James can be viewed by clicking on the Reference Material button above.

Extract from minutes of Board meeting

Open-source operating system

Paul Gachanja, Operations Director, briefed the Board on the implications of selling PCs with open-source operating systems rather than the proprietary systems that are used at present:

- Ressett would be able to buy and refurbish older and cheaper PCs, which it could sell alongside its existing range of computers.
- Open-source operating systems come complete with the “office” software that enables users to word process, build spreadsheets and create presentations.
- Many customers will be unfamiliar with open-source operating systems, whereas proprietary operating systems are well known.
- Proceeding with this proposal would require Ressett to invest in staff training. It would also require investment in workshop space to deal with the increased volume of sales.

The Operations Director informed the Board that he had met with the founders of Geefurb, a company that specialises in refurbishing PCs and installing open-source operating systems. Geefurb's founders retain 100% of its equity and maintain excellent contacts with corporate entities that sell used PCs. Geefurb's engineers have a good reputation for quality in the refurbishment of PCs. Geefurb's founders have offered to exchange all of their shares for 10% of Ressett's equity. Neither Ressett nor Geefurb are quoted.

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: RE: Open-source operating system

Rich text editor toolbar with icons for: New, Undo, Redo, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Bulleted List, Numbered List, Indent Left, Indent Right.

Large empty text area for writing the response.

Reference Material

Pre-seen

Six months later, Ressett has sold a batch of refurbished PCs that have been loaded with open-source operating systems.

You receive the following email:

From: James Tan, Senior Financial Manager

To: Financial Manager

Subject: FWD: Customer complaints

Hi,

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

I require your advice on two matters before I respond to her:

- Firstly, recommend with reasons the appropriate accounting treatment for the customer complaints.

[sub-task (a) = 40%]

- Secondly, evaluate the product risk, product reputation risk and contractual inadequacy risk that could arise from these complaints.

[sub-task (b) = 60%]

Regards

James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: James Tan, Senior Financial Manager
Subject: Customer complaints

Hi James,

A large number of the customers who have bought refurbished computers with open-source operating systems have complained that our computers were defective and that they have suffered serious losses because of this. We have investigated this and have discovered that these customers had failed to respond to prompts recommending that they download an important security update for their operating system. They had been accustomed to proprietary operating systems that download such updates automatically.

The failure to download the security update has left customers' computers vulnerable to unauthorised access. In some cases, their electronic banking has been accessed and their bank balances transferred to third parties. In other cases, customers' privacy has been compromised. In some cases, they have used their PCs to work from home, which has caused security breaches of their employers' networks.

These complaints will not be resolved before the financial statements for the current financial years have been finalised.

Regards
Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Customer complaints

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Text color, Paragraph, Table, Indent left, Indent right, Decrease indent, Increase indent, Bulleted list, Numbered list, Decrease indent, Increase indent.

Reference Material

Pre-seen

Two months later, you receive an email:

From: James Tan, Senior Financial Manager
To: Financial Manager
Subject: FWD: Improving open-source operating system

Hi,

I have forwarded an email from the Finance Director.

I am keen to hear your opinion on two matters:

- Firstly, evaluate the arguments for and against comparing any versions of the open-source operating system that we produce against the version that we have supplied to customers and publishing those comparisons.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the treatment of Ressett's improvements to the operating system under the headings of intellectual capital, human capital and social and relationship capital in the integrated report.

[sub-task (b) = 40%]

Regards
James

The email referred to by James can be viewed by clicking on the Reference Material button above.

From: Hazel Munro, Finance Director
To: Senior Financial Manager
Subject: Improving open-source operating system

Hi James,

I have spoken to Paul Gachanja, our Operations Director, concerning the weaknesses in the open-source operating system that we have been installing in older PCs. These weaknesses have triggered serious customer complaints.

Paul tells me that it would be permissible for Ressett's engineers to correct those weaknesses and to upload the resulting improved version to the website from which the operating system is distributed. In that case, our improved version will be available to be downloaded and installed by all users, regardless of whether they are Ressett customers and regardless of whether they are individuals or corporate entities.

If we improve the operating system, then we could email the customers who purchased these older PCs and advise them to download the improved version.

Regards
Hazel

Reference Material

Pre-seen

Provide your response to James' requests in the box below.

From: Financial Manager
To: James Tan, Senior Financial Manager
Subject: FWD: RE: Improving open-source operating system

Rich text editor toolbar with icons for: New document, Cut, Copy, Paste, Undo, Redo, Bulleted list, Bold, Italic, Underline, Strikethrough, Subscript, Superscript, Link, Paragraph, Table, Indent, Outdent, Bulleted list, Numbered list, Decrease indent, Increase indent.

Large empty text area for writing the response.



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

Management Case Study
November 2025 & February 2026
Exam Answers

Variant 1

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

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

Section 1

Stakeholders

Lamland Commercial Bank is a stakeholder because confidential data relating to its customers has been released to unknown laptop buyers. The Bank has a high interest in this event because it is in breach of its duty of confidence to its customers. It will also suffer reputational damage because bank customers will be unsure whether they have been affected by Ressett's failure to protect their privacy. The Bank's power will be determined in part by the terms of the contract relating to the deletion of data. The Bank may be entitled to impose a significant penalty or demand substantial compensation. The Bank might also threaten Ressett's ability to buy used computers by publicising Ressett's failure in this case. That might affect Ressett's ability to do business with sellers of used computers.

Software companies will have an interest in this case because their copyright has been infringed. Only six of Ressett's customers have complained, which will not involve a significant loss in itself. There is, however, a concern about the principle that copyright is being infringed. Software companies must actively discourage the breach of their licence arrangements, otherwise users might feel that there is little point in paying for software. Software companies are frequently large organisations who can afford to take punitive legal action. Ressett has no right to sell computers containing unlicensed software and so would struggle to defend any action taken by the software companies.

Ressett's customers are stakeholders because their access to bank data and the installation of unlicensed software could put them in breach of the law. Customers who are not IT experts could damage their computers if they attempt to rectify these problems for themselves. They may also be reluctant to sell these laptops when the time comes to replace them in case they are accused of passing on confidential data or unlicensed copies of software. The customers are unlikely to have sufficient power to cause Ressett any real harm because of this problem. It is unlikely that they will be able to afford to take action against the company. The worst possible case might be

that they create sufficient bad publicity to force Ressett to replace their laptops or have them returned for rectification.

Responsibility

It could be argued that the team leader is responsible for the work done by the team, including the management of quality. The team comprises only nine members in addition to the team leader, so it should be possible for the team leader to supervise the work being done. The team has a very specific role, namely the refurbishment of used PCs to prepare them for sale. The team leader's responsibility includes training team members and so the team leader should be confident that all know how to delete data and remove software. The team leader should be aware of the work that is being undertaken on the PCs that are being refurbished and should be able to spot any team members who are not discharging their duties.

The recent history of the team's operations suggests that Ressett's management team should have paid close attention to the refurbishment team, rather than relying on the team leader. The fact that half of the team resigned recently, including the previous team leader, might suggest that there were some issues associated with the team's role and the motivation of its members. The team leader was put in a slightly difficult position by being promoted to a leadership role that meant taking charge of colleagues who were previously at the same level. It may be that management placed too much trust in the newly appointed team leader and should have placed more emphasis on quality control. At the very least, the new team leader should have been provided with additional training in staff supervision to reflect the fact that this is likely to be a first supervisory role.

Section 2

Project constraints

The time constraint is arguably the most important in the sense that Ressett must aim to complete the project fully but quickly. There is no specific deadline, but aiming for prompt completion will demonstrate that Ressett takes this problem seriously. The longer the project takes, the greater the risk that more laptops will be found by customers to contain bank customer data and/or unlicensed software. Delayed completion of the investigation could also discourage potential sellers from selling their used PCs to Ressett. They may sell to a rival or dispose of their computers altogether if Ressett cannot make a credible announcement that the circumstances leading to the sale of PCs in this condition has been investigated and remedies put in place.

The quality constraint reflects the credibility of the results of the investigation. The Board will have to consider the manner in which the laptops will be tested, taking account of the fact that the customers to whom they were sold may have installed their own software and stored their own data. Ideally, Ressett should ask customers to return the laptops for evaluation and checking by the Inventory Department. The customers could be asked to back up their data before returning the computers to Ressett. That would enable Ressett's staff to take a more aggressive approach to the deletion of files on returned computers. It would also be important to ensure that the limits of the project are clearly defined. Ideally, the process of interviewing refurbishment staff will enable Ressett's Board to gauge whether the team members were confident that they had been properly trained by the time the 100 laptops from Lamland Commercial Bank had been processed.

The cost constraint will effectively be set in relation to the time and quality constraints set previously. Ressett's reputation is at stake and so it cannot afford to make false economies by commissioning a rushed or cheap investigation. The project has already been defined in terms of time and quality and so the cost budget should be planned on the basis of meeting the other constraints in the most economical way that achieves the project's objectives. The starting point will be to break the project down into tasks that can be priced individually. For example, it may be necessary to arrange for a courier company to collect laptops from customers' homes. A courier collection may be expensive, but customers may be unwilling to make their own arrangements for the return of computers to Ressett's warehouse. It will also be necessary to consider whether additional support will be required to maintain operations during testing. Having the refurbishment team check these computers could delay the preparation of later batches of PCs, which could cost sales.

Accounting treatment

The Bank's claim should be accounted for in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets*. This standard is applicable to situations such as this, in which Ressett faces a future liability, as at the year-end that is uncertain as to timing and amount.

IAS 37 distinguishes between provisions and contingent liabilities. In this case, the claim appears to be a provision because it meets the criteria set out in the IAS. Firstly, there has been a past event that has created an obligation on Ressett's part. It appears that the Board recognises that it owes a liability to the Bank, which implies that there is a clear obligation arising from Ressett's negligence. It must be probable that there will

be an outflow of resources to settle the claim. Ressett's Board does not appear to doubt that it will have to make a payment, which indicates that this criterion applies. The most difficult matter to decide is whether the cost of settling the claim can be estimated reliably. Ressett's Board will have to review the negotiations so far with the Bank and take legal advice concerning the likely cost of settlement. If a realistic prediction can be made, then this will be a provision.

If this is a provision, then the cost of settling the claim will be accrued as an expense and a liability in the financial statements for the year ended 31 March 2026. The background to the claim will be disclosed in the financial statements as a note.

Section 3

TQM

TQM stresses the fact that the conformance costs associated with the prevention of errors are usually lower than the costs of rectifying errors if things are permitted to go wrong. In this case, the refurbishment team certified 40 laptops as ready for sale, even though they had not been cleared of data and software. It seems likely that a simple procedure could be introduced to avoid any recurrence of this. One possibility would be to require the completion of a checklist for the tasks involved in refurbishing a PC, which would highlight any compliance failure. Another possibility would be to require each refurbished PC to be checked by a colleague from the refurbishment team before it is released for sale. Enhancing quality control would increase operating costs, but it would also significantly reduce the risk of serious breaches, such as the recent sale of 40 laptops that had not been wiped properly.

Part of the reason for this recent quality failure appears to be that the refurbishment team was under pressure. That led to gaps in training inexperienced staff and experienced staff rushing their work and making mistakes. The refurbishment team should be instructed to focus on the causes of this failure and change the system or introduce training to ensure that there is no repetition. In this case, the team should have warned senior management that there was a backlog in preparation work and that priority would have to be given to the training of new staff, so that there would be more qualified people to carry out refurbishment. Time should have been invested in training the new staff, with training focussing on the importance of quality. The team as a whole should have worked at its regular pace, refusing to rush through the refurbishment just because of the backlog.

The refurbishment team should have recognised that the external failure costs associated with non-conformance are high because of the nature of the products that are being processed. If PCs are sold without full and secure removal of data and software, then there will be serious adverse publicity for Ressett. Supplies of used equipment may be affected, which will undermine the company's ability to do business. Ressett's customers might also be concerned that they are making relatively significant purchases of products that may not have been fit for purpose and not fit state for sale. Having to return their PCs for checking and wiping could be inconvenient if they are relying on the equipment for work or study.

Transfer pricing

The three departments (Buying, Sales and Inventory) will have unpredictable needs in relation to technician time and so determining the opportunity cost of temporary transfers of staff will be complicated. Arguably, if Buying and Sales have spare technical staff at any given time, then the opportunity cost of seconding them to another department would be zero. Unfortunately, either of those departments could be faced with an unexpected need for the return of their staff. For example, the Buying Department might need to evaluate the opportunity to buy a batch of new or used PCs or the Sales Department might receive a request for advice from a corporate customer. There could be debate between Inventory and the other departments concerning the manner in which the opportunity cost of seconding technical staff might be determined. Buying and Sales might argue that the opportunity cost should reflect the potential losses in terms of the contribution that might be foregone if technical staff are

unavailable to respond to buying or selling opportunities, in which case the opportunity cost would have to reflect the probability of loss, which could not be determined objectively.

The opportunity costs faced by Buying and Sales might be different from one another, which could have an impact on the behaviour of the Inventory Department. Buying will need staff to be available to deal with any large batches of equipment that become available, while sales will only suffer an opportunity cost if they have insufficient staff available to deal with customer queries. The two departments may offer different transfer prices, which could complicate the operation of the internal market for staff secondment. Inventory might favour the cheaper department, to the extent that it delays secondments until the cheaper department can make staff available. That could lead to inefficiencies for Ressett as a whole if Inventory chooses not to use available surplus technician time in order to minimise internal charges and so delays the preparation of PCs for sale.

Section 4

Contractual inadequacy risks

The impact of the proposal will depend largely on the extent to which contingencies are dealt with in the contract with the sellers of used computers. If a seller fails to clear all data and software, then Ressett could still be accused of selling PCs containing confidential data or unlicensed software. Ressett would have to be in a position to argue that it had no reason to check that everything had been deleted except for the operating system. Otherwise, the seller could argue that Ressett had failed to check the PCs correctly to ensure that all deletions had been made.

Ressett will have to be able to demonstrate that the agreement with the seller with respect to the deletion of data and software is legally binding. The seller might argue that Ressett had failed to make it clear that it purchased used computers on the strict understanding that their sellers had removed all sensitive files and software. Ressett might be in difficulty unless it can demonstrate that it had drawn the changes to the terms of its contracts to appropriate members of the sellers' management.

It could be argued that transferring the obligation will make very little difference to Ressett because the deletion of data and software are relatively routine tasks that its staff were capable of carrying out consistently and correctly. Passing the responsibility for deletion over to sellers could increase the risk of selling PCs that contain confidential or licensed materials. Ressett has the necessary experience and security software to prepare PCs for sale in a safe and consistent manner.

Integrated report

Ressett's intellectual capital will be enhanced by this proposal because it will have to develop the ability to brief sellers in the secure deletion of data and removal of software. It is important for Ressett to be confident that used PCs have been made ready for sale, otherwise it could be guilty of breaching the rights of any third parties whose data or licensed software remains on the machines. Ressett will have to develop clear and effective instructions that can be issued to sellers and that will enable them to make the necessary changes to PCs. Ressett will also have to develop new systems for the installation of fresh operating systems onto used PCs. Those systems will have to allow for the fact that Ressett has to process large batches of computers and so its systems will have to be both efficient and reliable.

Social and relationship capital will change because of the need to update the terms of sale that will be agreed with sellers who provide Ressett with used PCs. Sellers will now be responsible for assuring Ressett that they have deleted everything from their PCs and Ressett's responsibility to the sellers will be reduced. Ressett's relationship with the software companies who produce operating systems will also change because it will start to buy licences directly. Previously, Ressett deleted data and removed all software except for the operating systems. The terms of the operating system licences permitted Ressett to benefit from the licence purchased by the previous owner. Ressett will now have a direct relationship with the provider of the operating system and its status as a major buyer of licences will enable it to seek technical support more easily.

The change might enhance Ressett's impact on natural capital. Previously, sellers might have been reluctant to sell their surplus PCs in case they unwittingly passed confidential data to their eventual buyer. Ressett agreed to delete data securely, but

that still required a relatively complicated process that could lead to gaps and errors. The proposed new system enables sellers to delete everything contained on their used PCs' storage, which enables them to be confident that they have been cleared fully. That additional confidence will encourage more sellers to sell used PCs to Ressett, which will enhance the sustainability of its operations. Selling more used PCs will reduce demand for new PCs and so will reduce externalities associated with manufacturing.

Management Case Study
November 2025 & February 2026
Exam Answers

Variant 2

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

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

Section 1

Business model

The consultancy will take a different approach to defining value. At present, Ressett focuses on creating value for both suppliers and customers by creating a mechanism for the sale and purchase of surplus equipment. The consultancy service is aimed at supporting customers only. The current approach to defining value consists of buying surplus hardware from suppliers and reselling that hardware to customers who have a need of it. The new consultancy service will add value by creating a service rather than through the resale of products supplied by third parties. The consultancy service will assist in making hardware sales because Ressett's consultants will be free to recommend suitable equipment that meets customer needs.

The creation of value will change because Ressett's consultants will not be creating a new product that will add value to trading activities. Consultants will effectively offer an alternative means of directing customers towards suitable inventory, rather than relying on customers finding equipment through the website. The consultancy service will be priced to make it competitive with traditional consulting, but it will not necessarily save customers money because they could probably use the website to find what they need.

The consultancy will take a different approach to delivering value because the emphasis will no longer be on the cosmetic condition of equipment. Ressett's website currently focuses on enabling customers to choose equipment on the basis of grades of wear and tear ranging from "New" to "Grade B Refurbished". The consultancy will offer a technical service that is directed at selecting equipment from the range on offer. This

advice will be of value to the typical customers for this service, namely relatively small entities who will not have sufficient in-house expertise to select equipment.

Ressett will now have an additional means of capturing residual value. Customers who do not have the ability to select equipment that meets their needs will now have the option of paying for consultancy advice. The advice that Ressett plans to offer will be tailored to meet the needs of potential customers who wish to purchase the equipment at a reduced price, which will give those customers access to the type of advice that would not otherwise be available. Ressett's consultants will have to be prepared to offer advice that takes full account of the equipment that happens to be available when any enquiry is made. The consultancy will be an additional source of added value that cannot be duplicated by rival sellers of IT equipment.

Features of equity

Shareholders take significant risks with respect to their investment in ordinary shares. For example, the directors are free to suspend dividends if they believe that the company cannot afford to pay them. If Ressett runs into financial difficulties, then all of its lenders will have to be paid in full before any of the ordinary shareholders' capital is returned to them. The risks associated with ordinary shares means that they are required to offer a higher return than that on debt, which means that equity is a relatively expensive source of finance. There are also significant issuing costs associated with new shares, which further increases the cost.

The flexibility associated with ordinary shares means that they reduce the risk to the business, in comparison to borrowing. Issuing L\$3.0m in shares will reduce the company's gearing ratio from $8.0/(8.0+27.1) = 23\%$ to $8.0/(8.0+27.1+3.0) = 21\%$. That slight decrease might be beneficial because the company is embarking on a risky new venture and so the additional flexibility inherent in equity will give the Board greater freedom.

The other issue with issuing ordinary shares from an unquoted company is that it might be necessary to give the new shareholders a significant amount of the company's equity. The L\$3.0 amounts to roughly 10% of the book value of Ressett's existing equity, which might imply that the new shareholders will expect at least 10% of the company's equity and voting rights. Such a large issue could be viewed as causing a serious dilution of the existing shareholders' equity, which could be a concern given that the company is embarking on a new venture.

Section 2

Effective team

In the short term, the team may not have the necessary skills required to undertake its role. In the past, Ressett's pre-sales support has been restricted to the provision of explanations and clarifications of technical terms and confirmation of the availability of inventory. Staff appointed internally may not have the selling skills required to persuade customers to accept equipment from Ressett's inventory. Staff recruited externally may not be experienced in the sale of the equipment that is sold by a reseller. They may be used to selling only the latest products. These concerns could lead to members of the sales team offering inconsistent advice that could undermine Ressett's credibility.

Team members could be demotivated by the fact that they are expected to work on the call centre when there is insufficient consultancy work to keep them occupied. Team members might be reluctant to have such temporary secondments if the work in the call centre is regarded as less challenging or responsible. That could lead to dysfunctional behaviour such as team members delaying the completion of recommendations for corporate clients so that they appear to be fully occupied with consultancy.

It might be difficult to encourage cooperation between team members, including the sharing of information between those appointed by internal transfer versus those brought in from outside. Staff who are experienced in supporting customers in buying Ressett's inventory will have a deeper understanding of the implications of selling older equipment. They may be reluctant to pass the benefits of sharing that understanding with staff appointed from outside in case there proves to be insufficient work in consultancy and there is competition between members for the right to remain in the team.

Responsibility centre

Making the consultancy team a profit centre would be consistent with aligning the team's interests with those of Ressett as a whole. Team members would then be encouraged to maximise the likelihood of a sale from every contact with a potential consultancy client. That would encourage team members to develop a good understanding of the equipment that is in inventory, so that they can match clients' needs to the PCs that are available. Clients will be more likely to purchase equipment recommended by consultants if there is a sensible justification for the selection being offered and the consultant can explain the capabilities of the system being offered. Making the team a profit centre would make it possible to set sales targets for individual consultants.

Establishing the team as a profit centre would also give the consultancy team an incentive to minimise operating costs. The consultants can select the equipment that they will recommend to their clients, which means that they have an incentive to choose the least expensive items from inventory that meet the needs of their clients. Less expensive PCs may be older and could have shorter shelf lives than the more expensive items that Ressett has in inventory. Encouraging consultants to recommend older machines will reduce the risk of older inventory having to be sold at a huge discount or scrapped. The team's operating costs will also include wages, which can be transferred to the call centre in the event that the team is not fully occupied. Making the team a profit centre will encourage the team members to remain productively occupied at all times. Team members will be able to demonstrate that they are engaged in profit-

making activities by their contribution to team profits. A profit centre would automatically provide the advantages associated with a cost centre, with the additional benefits of encouraging the team to maximise revenue.

It would not be appropriate to make the next step in establishing the team as an investment centre. The team has been equipped with all that it requires in terms of workspace and any other facilities that are necessary. At this initial stage, there is some doubt as to whether the team will be fully occupied, which means that it will be difficult to justify further investment for expansion. In the medium term, the team may be fully occupied in developing sales activities, but those sales may be difficult to sustain because there could be a limited number of potential clients in need of this service. In the event that the team proves a success, then it would be sufficient to leave any decisions about further investment to Ressett's Board. The team members can offer their recommendations for additional facilities, along with their justifications, if additional investment would prove beneficial.

Section 3

Transfer prices

It can be argued that the optimal transfer price can be set on the basis of the marginal cost of the selling division, plus the opportunity cost of the selling division. A transfer pricing strategy set on that basis will allow the buying and selling divisions to operate in an autonomous manner, with any transfers based on those prices discouraging dysfunctional behaviour that would be detrimental to Ressett as a whole. The application of that model depends on whether or not the selling division has surplus capacity. The question of whether the Sales Department has spare capacity depends on whether it can sell all of the equipment that it has in inventory at a profit. If it can, then there will be a potential cost to Sales if it transfers to Consultancy for anything less than the selling price that could be obtained from an individual customer. That could be dysfunctional from the perspective of Ressett as a whole if Consultancy then resells the equipment for less than Sales would have charged in a sale to a third-party customer.

Presumably, Sales can sell most items at a profit. That is implied by the fact that the financial statements for the year ended 31 March 2025 show a gross profit % of $L\$56.9m/L\$203.3m = 28\%$. On that basis, the marginal cost would be the amount charged by the Buying Department plus the cost of any refurbishment carried out by the Inventory Department. The opportunity cost would be the contribution foregone because of the lost sale. That would effectively set the optimum transfer price at the selling price offered by Sales in Ressett's website. Care would, however, have to be taken in using this as the basis for transfer prices because the Sales Department might be tempted to set high selling prices on products that might appeal to Consultancy clients. Ressett's Board would have to monitor selling prices to ensure that the Sales Department is not reducing prices in order to make external sales.

Charging the Consultancy Department the selling price that would otherwise be charged to individual customers on the open market would have the effect of making the Sales Department indifferent between selling to third parties and selling to Consultancy. That would remove the temptation to indulge in dysfunctional behaviour. Similarly, it is unlikely that the Consultancy Department could purchase equipment for less than the full retail price because it would be doing so in direct competition with Ressett's Buying Department and it might be necessary to incur additional refurbishment costs. If Consultancy cannot buy from third parties for less than this transfer price, then it will have no incentive to make external purchases and so that source of dysfunctional behaviour will be avoided. The Consultancy Department will be selling this equipment at a slight discount to the price that is charged by Sales. That will not necessarily cause any problems because Consultancy's clients will be placing relatively large orders and so they will be expecting a discount from regular retail prices. The Consultancy Department will be charging a separate consultancy fee, which should be sufficient to offset the discount and ensure that Consultancy makes an acceptable profit overall.

Revenue recognition

The contract will have to be accounted for in accordance with IFRS 15 *Revenue from contracts with customers*. The Consultancy Department's contracts meet the criteria set out by the IFRS, including the facts that Ressett and its consultancy clients will be committed to fulfilling the contract and the commercial substance can be identified. The

IFRS requires Ressett to recognise the performance obligations within the contract. In this case, there are essentially two phases to the contract that are invoiced separately and that each constitute at least one performance obligation on Ressett's part.

The fee for the initial consultation can be recognised as revenue as soon as the Consultancy Department's bid is submitted and the invoice is submitted. This invoice is payable, regardless of whether Ressett provides anything further in relation to the client's application.

The remainder of the contract consists of two further performance obligations: the delivery of the equipment, with the installation plan, and the aftersales support from the consultants. The revenue from the equipment could be recognised on the basis of the price attributed to the equipment when it was available for sale through Ressett's website. The remainder of the invoice consists of ensuring that consultants are available for the initial phase after delivery and for the extended period after installation. The value of the aftersales consultancy might be recognised on the basis of estimates of the consultancy hours that will be charged during each of the two phases. That would allow for the fees for the first month to be recognised once that period has elapsed and for the remainder of the fees to be split and recognised during the financial years that will include the long-term support period.

Section 4

Business risks

Product reputation risks could arise in the event of a failed implementation of a system designed by Ressett's Consultancy Department. The service requires Consultancy to select suitable equipment that will meet each client's needs. That selection will be influenced by the availability of suitable inventory. The equipment then has to be set up by the client, using instructions supplied by Ressett. That could lead to issues, bearing in mind that the client will also have to install software once the hardware has been made ready. If the installation fails, then clients may blame Ressett, claiming that the equipment did not meet the brief for the system or that it was somehow defective. Stakeholders might wish to know why the system is not operational and that could lead to public criticism of Ressett.

Ressett relies on users, retailers and manufacturers for supplies of surplus IT equipment. Supplies are effectively limited in terms of availability. If Ressett succeeds in making additional sales, then the additional demand for surplus equipment could increase market prices. It might be difficult to pass any such increase in price onto customers because the increase could reduce the savings to be had from specifying the surplus equipment that Ressett sells. Clients might be inclined to buy new equipment rather than accepting the risks associated with surplus equipment. The overall effect might be to increase the volatility in prices of surplus equipment, which could be difficult for Ressett to manage.

The fact that clients will often have very limited IT skills might complicate their relationship with Ressett, particularly if something goes wrong with the installation. A system that requires PCs to be connected to a network and to interact with one another could fail because of a simple mistake, such as a defective cable that can quickly be corrected. The client might not have sufficient IT skills to diagnose and rectify such defects and might blame Ressett for providing faulty equipment. The terms of the contract might not make it clear whether the responsibility for the investigation and correction of any such fault lies with Ressett or the client. Any misunderstanding on the client's part could put Ressett under some pressure to accept responsibilities that were not intended by the formal contractual terms.

Integrated report

The new service will effectively open up a new market for surplus equipment by increasing demand for surplus equipment. It is to be hoped that any such increase will encourage the owners of surplus equipment to sell functional IT equipment that might otherwise be dismantled and scrapped. Making further use of surplus equipment will reduce the quantity of electronic waste that would otherwise find its way into landfill. That reduction will also reduce the pollution associated with such scrappage, such as heavy metals finding their way into the food chain. Finding a use for surplus equipment is far more reliable than other forms of recycling because of the costs associated with safe disposal.

Ressett's approach to consultancy is also far more environmentally friendly than traditional approaches. Systems are designed remotely, using video conferencing in place of physical meetings. Installation will be managed by delivering the equipment and providing clients with clear instructions for installation. That should be a more

sustainable approach to transportation because deliveries can be made by courier, with no need for engineers to accompany the equipment. The installation will be carried out by client staff, who would be at the premises anyway. Aftersales support will be furnished using video conferencing, again avoiding the environmental impact of despatching engineers to meet with clients.

Management Case Study

November 2025 & February 2026

Exam Answers

Variant 3

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Section 1

Cash flows

The first difficulty arises from the fact that it may be unclear how many PCs and peripherals will be offered for recycling by customers. Old equipment may still be functional and its owners may wish to keep it as a spare or to gift to friends or family members. The scheme will only attract new customers who would be interested in recycling their old equipment. Even those customers who are willing to have old equipment recycled may not change their buying decisions in response to this new scheme. It will, therefore, be difficult to tell whether the scheme will generate any net revenue.

Customers might be attracted by the fact that dismantling PCs offers secure destruction of all data. Secure deletion of data requires careful use of security software that makes it impossible to restore access to the material in storage. Ressett's proposal would offer participating customers certainty because their old PCs will be dismantled and the components will be broken down in order to extract the materials used to make them. The extent to which such a scheme would attract customers and so increase revenues will be complicated by the fact that not all customers will be aware of the risks associated with preventing access to data on used PCs. It will be difficult to predict the amount of additional revenue that will be generated by the enhanced security that this proposal will offer.

The costs associated with the proposal will be difficult to predict because different models of computer will be constructed differently, which will affect both the costs and revenues associated with their dismantling. The salvageable metals in a desktop PC can be worth up to L\$15, but they can be worth less than that. The cost of extracting those metals will also be affected by the robustness or otherwise the manner in which the PC has been built. The net revenues will also be affected by volatility in the markets

for the commodities that are being extracted from the computers. The cost per gramme of gold can vary and might reduce the value obtained from recycling.

Negotiation

Ressett should commence by deciding what it wishes to obtain from these negotiations, making sure that it is realistic in its approach to the recycling companies. In this case, it seems likely that it wishes to obtain agreement from Crushter or a similar company that any PCs submitted for recycling will be dismantled to the point where any data that they contain is irretrievable. Ressett will also wish to obtain a discount so that the cost of its recycling service is minimised. Ressett should take care not to make excessive demands, otherwise any companies that it speaks to will be unwilling to engage in discussions.

Ressett should consider what it has to offer in return for a recycling company's assurances and should ensure that any such benefits are described clearly during the initial negotiations. Ressett can enhance its chosen recycling company's reputation by naming it and stressing its competence in the description of the new service for the secure destruction of customers' electronic waste. It might also be possible to negotiate a discount on the strength of the volume of business that the recycling company can expect from dealing with Ressett.

The terms of the agreement should be recorded in detail so that Ressett can be clear about what has been agreed, particularly with respect to key issues. Ressett should be free to describe the recycling service that will be provided so that customers can be reassured about both security and sustainability issues associated with disposing of their old equipment. The basis on which future prices will be determined should also be set out in writing so that both sides are satisfied that a fair price will be charged throughout the duration of this agreement.

Section 2

Project team

It could be argued that the Sales Department is best placed to evaluate the impact that this proposal might have on Ressett's reputation and so it should have a leading role in this project. Ressett currently sells equipment that is in good condition, either new or refurbished. Customers might lose confidence if they discover that Ressett is selling older used laptops online through an online marketplace. There is also a possibility that online marketplace sales will displace sales of Ressett's traditional products. Customers might view laptops listed on online marketplaces as offering the same value as those on Ressett's website, but at a lower price.

Restricting the team to senior managers from the Sales Department will provide the Board with insights into the effect that this proposal will have on the operation of Sales. The project team will be able to offer insights into the resourcing implications for the Sales Department of having staff taking responsibility for photographing laptops and writing descriptions for the online marketplace. Senior managers should be able to offer an overview of the Department's operations. Using senior managers will also add credibility to any reports made by the team to the Board.

There could be disadvantages to this approach to team membership. At present, the Buying Department decides which equipment that is offered to Ressett should be purchased. It will, however, be excluded from the project team. This proposal could impose some inefficiency on Buying because customers will be offering individual laptops, which will need to be considered one at a time. The proposal will require the Buying Department to decide on individual laptops because most customers will have only one machine for recycling.

The proposed team also excludes the Inventory Department, which may prove unacceptable because of the additional workload that will be imposed if this proposal is accepted. The Inventory Department should, at the very least, be involved in setting the threshold for the acceptance of laptops because Inventory staff are responsible for testing and refurbishing those machines. Inventory will also be responsible for the additional work associated with managing the inventory of refurbished laptops. The intention seems to be to turn them over more quickly than normal inventory and that could disrupt the Department's work.

Restricting the project team to senior managers could prove discouraging to more junior staff. There could be an argument that involving experienced staff at all levels might reduce the risk of proceeding with a proposal that might be impractical to implement.

Bidding v set prices

Inviting bids will, hopefully, maximise the selling price of each laptop by enabling Ressett to benefit from market forces. Potential buyers who are interested in a particular laptop will see the current highest bid and will decide whether or not it appears to be selling for a bargain price. If the laptop is desirable to them and appears to be underpriced, then they may offer a higher amount.

Leaving customers to decide on pricing will simplify the process of setting optimum selling prices for Ressett. Customers will compete for good laptops and will price them

accordingly. The alternative would be for the Sales Department to price these laptops individually.

Asking customers to bid could cause delays in the completion of sales, which could slow down cash receipts. The bidding process takes 7 days. Laptops sold at a fixed price might be sold and paid for quickly. Customers could also become frustrated if they struggle to complete purchases because they are constantly outbid at prices they consider to be excessive.

There could be reputational problems if customers who hand in laptops for recycling see their devices attracting high bids on an online marketplace. It might be preferable to sell laptops at a fixed price that allows for a profit after taking account of the costs of testing and refurbishment.

Section 3

Responsibility centre

It could be argued that Recycling should be a cost centre because the supervisors and staff have some control over the costs incurred in refurbishing laptops and preparing them for sale. Ideally, staff can minimise costs by keeping pace with the numbers of incoming laptops through this scheme. Doing so will avoid the need to pay overtime or to increase staff numbers to keep pace with receipts of laptops.

Organising Recycling as a profit centre will require it to have much greater control over revenue. Revenues from this scheme will depend heavily on the number and quality of laptops submitted for recycling by individual customers, which Recycling will be unable to control. The profit generated by Recycling will be beyond the Department's control in that Ressett will effectively obtain the laptops at zero cost. The cost of refurbishing laptops will be the same regardless of the age and specification of the machines. Recycling cannot necessarily manage demand for refurbished laptops of this age and quality and so it cannot influence selling prices.

Making Recycling a profit centre could lead to dysfunctional behaviour that will harm Ressett as a whole. Recycling might attempt to undercut sales made through the company's website, which could reduce sales from the primary line of business. It would undoubtedly be preferable to focus on managing Recycling's costs and to pass those costs onto Sales to enable it to organise business in a coherent manner.

Joint venture

Accounting for the arrangement between Ressett and Crushter as a joint venture would require compliance with the requirements of IFRS 11 *Joint arrangements*. The first step would be to create an arrangement that gave both Ressett and Crushter joint control. Joint control would be established through a contract that required both parties to consent to any decisions concerning the arrangement. That does not require the parties to hold equal interests in the arrangement because the contract would override any disparity in ownership. The contractual arrangements would have to be set out carefully to ensure that joint control was established. Any decisions made by the parties will require the unanimous consent of both.

IFRS 11 requires that a joint arrangement must give the parties rights to the net assets of the arrangement before it can be classified as a joint venture. This is a matter for the contract between the parties and requires judgement in its application. If the arrangement gives the parties rights to the assets and responsibility for the liabilities, then IFRS 11 would classify it as a joint operation.

Joint ventures are accounted for using the equity method of accounting, as set out in IAS 28 *Investments in associates and joint ventures*. This would mean that Ressett would account for its investment in the joint venture as a single line entry in its statement of financial position (and in group statement of financial position). That entry would be based on the joint venture's net assets. Ressett's statement of profit and loss would show its share of the joint venture's profit for the year, again as a single line item. The investment in the joint venture would be accounted for initially on the basis of the amount invested. That amount would change each year in accordance with Ressett's share of the change in the joint venture's net assets. If Ressett holds any

inventory supplied by the joint venture, then the value will be reduced by the amount of any unrealised profit in that inventory.

Section 4

Business risks

Product reputation risks might arise because the laptops may be of poorer quality than those that Ressett sells through its website. These laptops are being donated for recycling, which suggests that their previous owners attached little real value to them. That implies that they may not be in very good condition. Ressett's reputation is based on the sale of good quality surplus equipment that is either new or has been used in a professional setting. Customers who buy these donated laptops may be disappointed if they are in a poorer condition than Ressett's usual products. They might leave negative feedback on the online marketplace that could reflect badly both on sales through this route and also on the laptops being sold through Ressett's website.

There appears to be contractual inadequacy risks arising from misunderstanding on the part of the customers who donate their old laptops. There appears to be a distinction in their minds between recycling their materials and reconditioning them to make them saleable as operational computers. It appears that these customers have misunderstood the fact that the request for old equipment was motivated by a desire to make business more sustainable. Ressett did not claim that it would not sell materials and even working laptops in order to recover some of the costs from this service. Selling laptops in working condition would actually be more sustainable because it would avoid the environmental damage associated with dismantling these machines and manufacturing new laptops.

Integrated report

Ressett will enhance its human capital by creating skilled tasks for staff involved in the recycling service. In the first instance, staff will be required to learn to evaluate laptops as they are received, with a view to distinguish those that are worth keeping for refurbishment. The laptops that will be retained will require different levels of refurbishment from those that staff are used to working with and so they will need a wider set of skills. It will also be necessary to ensure that staff can work efficiently because these laptops will be sold for lower prices than they are used to. There will also be a need to provide training in the sale of older refurbished laptops through the online marketplace, which will require further skills in presenting products for sale.

Ressett has established a relationship with Crushter by creating a new source of laptops for dismantling. This relationship will provide Crushter with additional revenue, which will make the arrangement mutually beneficial. The association with Ressett's recycling initiative will also enhance Crushter's reputation for environmental responsibility. The initiative will also create a relationship with the online marketplace, attracting potential buyers to its site. Customers searching the marketplace might be impressed by the fact that a major reseller such as Ressett uses the marketplace for its sales.

There will be a significant improvement to Ressett's natural capital. A majority of its customers have been persuaded to submit their used equipment for dismantling. Ressett has clearly recycled a great deal of material that might otherwise have been dumped and would have created additional electronic waste. Even if customers had simply kept this equipment, it would not have been recycled otherwise and so the resources would have been lost. Ressett could also claim that it has encouraged

customers to adopt a more responsible approach to dealing with surplus IT equipment. It would be reasonable to claim that they might aim for greater sustainability in other aspects of their lives.

Management Case Study

November 2025 & February 2026

Exam Answers

Variant 4

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Section 1

Business model

Ressett will have to be careful in terms of the manner in which it defines value. It is possible that some of the equipment that suppliers are keen to dispose of is in danger of becoming obsolete because the associated consumables are becoming difficult, or even impossible, to source. The useful life of equipment that relies on consumables could be severely curtailed if the third parties who manufacture consumables decide to cease production. Ressett might have to take greater care in purchasing decisions, restricting purchases to equipment for which there is reason to believe that consumables can be expected to be readily available for the foreseeable future.

The need for consumables could provide Ressett with an additional means of creating value. If Ressett is offered the opportunity to purchase, say, a large batch of inkjet printers, it could investigate the availability of ink cartridges. It may be possible to work with manufacturers of consumables by informing them of Ressett's intention to resell large volumes of equipment, thereby creating a fresh demand. Or Ressett could purchase remaining inventories of relevant consumables so that customers who buy equipment can be assured that consumables will be available in the medium term.

Ressett will have to take additional care in delivering value by investigating the availability of consumables. Customers are used to being offered a choice between different cosmetic grades of equipment, but they may start to attach greater emphasis to the availability of consumables. Ressett ought to consider investigating the availability of "vital" consumables, such as printer cartridges, without which printers will not work. Customers would find it reassuring to have some indication of the likely availability of consumables, either from Ressett or from other retailers.

Ressett could view this issue as an opportunity to create additional residual value, if it purchases suitable consumables in bulk when the opportunity arises. Buying, say, printer cartridges in bulk would enable it to offer customers package deals, such as selling some toner cartridges alongside laser printers. Ressett would also be able to sell consumables through its website, perhaps by indicating the compatibility of each item with the equipment that it sells. The advantage of selling suitable consumables is that there would be a captive market in the form of customers whose equipment relies on the availability of consumables in order to remain operational.

Business risks

The biggest source of product risk arises because customers might lose interest in certain lines of equipment because they are reluctant to invest in hardware that will be rendered useless if consumables are no longer available. Customers may regard it as more cost-effective to purchase current models of hardware rather than risk buying surplus equipment that relies on consumables that might soon become unavailable. Similarly, demand for consumables that Ressett holds in inventory could decrease if customers replace their hardware with newer models. Demand for certain categories of equipment and consumables could be replaced altogether by new technologies, such as the cloud being used to store and transfer files rather than using recordable DVDs.

The cost of consumables could prove volatile because of complications due to supply and demand. An announcement that a particular item could go out of production could lead to stockpiling by customers. Similarly, rival retailers could buy remaining stocks of scarce consumables, making it more expensive for Ressett to obtain replacements. Selling prices could also prove volatile if customers make alternative arrangements and stop buying previously popular consumables.

Ressett runs a serious risk of attracting complaints from customers who feel that they have been misled concerning the availability of consumables, who find it difficult to use an otherwise operational machine for its intended purpose. It could, however, take some time for customers to realise that consumables for their products are difficult to obtain. That will make it difficult for them to leave credible complaints on Ressett's website. Customers may have to use any consumables that came with the equipment before they realise that replacements are difficult to obtain. Complaints could, however, be posted on social media instead.

Section 2

Real options

The Board could create a real option by delaying making a significant investment on this project. One way to do so would be to outsource the manufacture of cartridges to a third party, with the contract running for a prescribed period. If demand for Model 50 cartridges proves insufficient to support the capital investment, then the contract with the manufacturer could either be renewed or allowed to lapse. If there is sufficient demand, then Ressett could consider investing in its own production equipment at that later date if doing so could be expected to yield a higher NPV than continuing with the outsourced manufacturing arrangement. This arrangement would enable Ressett to make some profit from the sale of third party cartridges, without risking a commitment to manufacturing.

The arrangements for this project could have some flexibility built in so that Ressett can be responsive to problems and opportunities that arise with respect to the Model 50 cartridges. One consideration would be the capabilities of the equipment that is to be purchased for the manufacture of these cartridges. At the very least, the manufacturing equipment should be capable of being reconfigured quickly to manufacture different cartridges. If the equipment can be easily reconfigured then it will be possible to make a range of different cartridges, switching from one to another to meet demand for each model. The alternative would be to pay less for less adaptable machinery that would be used almost exclusively for Model 50 cartridges. The savings from buying such machinery might prove to be a false economy if the Board overstates the likely demand for Model 50.

The design of the manufacturing facility might have an option to abandon production built into it. The fact that the equipment will be installed in a section of the warehouse that is not currently used is encouraging because Ressett is not committing itself to an investment in property for use as a factory space. Furthermore, the space can be repurposed for storage or some other purpose in the event that production is abandoned. Care should be taken in the selection of machinery, ideally buying industry standard equipment that can be sold to other companies in the event that Ressett ceases production of cartridges. Ressett should also consider ways to manage staffing issues arising from abandonment. It might be possible to attempt to keep positions available so that machine operators can be offered alternative employment if manufacturing is abandoned.

Conflict

The Marketing Department could start by appointing a senior manager to liaise with the Sustainability Champion. The two will be at the same level of seniority and so it should be easier for them to work together. The purpose of this liaison will be to aim for ways in which the Marketing Department might be able to incorporate sustainability into the development of this new product line. It could, for example, be possible to design cartridges so that they contain more ink, thereby reducing the frequency with which customers have to scrap empty cartridges. This approach will reduce the risk of demotivating the Sustainability Champion, who might be discouraged if sustainability was not considered in relation to a significant development such as the commencement of production. This will also enable the Marketing Department to claim that Ressett took care to consider the environmental impact of its new cartridges.

In the event that there is continuing disagreement between the Marketing Department and the Sustainability Champion, the Board should seek clarification of the reasons for this difference. The Board should then consider whether to proceed with the Marketing Department's recommended course of action or whether it should be modified to take account of the Sustainability Champion's concerns. Ultimately, that may require a decision that allows for Ressett's commercial interests and for its environmental responsibilities to be taken into account. That will almost certainly require a priority to be set, otherwise it will be impossible for the company to make any progress. For example, the Board might insist that production commences, subject to changes to the product design so that the environmental impact is moderated.

Section 3

Debt

Debt can offer flexibility in financing transactions. In this case, the intention is to buy a large quantity of printers as inventory, which Ressett will undoubtedly plan to sell as quickly as possible. It would be possible to structure the loan so that the finance required to buy the printers is likely to be repaid by the time that the printers are sold. The alternative would be to raise additional equity, which does not really permit flexibility in repayment, so Ressett would continue to bear the cost of equity into the indefinite future, even if the funding was no longer fully required.

Debt offers lenders greater security than equity, which makes debt less expensive than equity. In this case, the risks are further reduced by the fact that part of the investment that is being funded will be in the form of property, plant and equipment, which can be pledged as security for the loan. Lenders prefer to be able to secure their loans against assets that will hold their value and will guarantee repayment.

It is important to ensure that Ressett can benefit from the loan. One of the benefits associated with borrowing is that loan interest can be deducted as an expense for tax purposes. It is important to ensure that the company earned sufficient profit to take advantage of that tax relief. Ressett presently has L\$8.0 million of debt and pays interest of L\$0.7 million. Even if Ressett borrows a further L\$12.0 million, it will still have plenty of taxable profit against which to reclaim the additional interest. There is also the question of whether Ressett can increase its gearing ratio by that amount. If not, then the risks associated with the additional borrowing will be excessive. The company's gearing ratio is currently $L\$8.0 / (L\$8.0 + L\$27.1) = 23\%$. It will increase to $(L\$8.0 + L\$12.0) / (L\$8.0 + L\$12.0 + L\$27.1) = 42\%$, which is a significant increase, but is probably tolerable.

Integrated report

There will be a significant change to Ressett's manufactured capital because the company will be adding production facilities to its asset base. The integrated report will describe the addition that has been made, describing the resulting increase in the production capacity. This will enable stakeholders to understand the extent to which Ressett has equipped itself to service this new market that it plans to enter. Knowing the additional production capacity will enable them to tell whether Ressett is serious about this new business venture and whether it has sufficient capacity to meet likely demand. The description of the investment will also provide an insight into the ability to compete in this market in terms of price, quality and sustainability.

Intellectual capital will include details of the training that will be provided for the production staff and the skills that they will develop. The Board will have to invest heavily in the development of these skills or there could be serious issues in terms of efficiency and product quality. The production staff will have to learn how to operate the new equipment and ensure product quality at all stages of the manufacturing process. This section of the integrated report will also inform stakeholders about any intellectual property that Ressett obtains in relation to the design of cartridges. The manufacturing process will require detailed plans and specifications of the cartridges in order to ensure that they are compatible with the printers for which they are designed.

The relationship between Ressett and Superprint will have to be set out in some detail. This will affect the credibility of the new product. Ideally, Ressett will wish to obtain Superprint's active support for the manufacture of printer cartridges. Without that, it is possible that Ressett's cartridges will suffer quality and compatibility problems. Superprint could cost Ressett sales if it criticises the quality of the new cartridges. It could be motivated to do so in order to protect sales of the latest models of printer. Ideally, Ressett will be able to negotiate a good business relationship in which both companies support one another. For example, Ressett will have an incentive to promote the quality of Superprint's printers, which will hopefully earn it Superprint's support. The integrated report might indicate that the two companies share values, including a desire to operate in a sustainable manner.

Section 4

Life-cycle costing principles

The proposed approach will shorten the life cycle for the individual printer models in Ressett's inventory. That is not necessarily a bad thing because these printers are no longer in production, so they cannot be replaced in response to sales. There is little point in prolonging the life cycle of each model. Focussing on selling a single model will simplify buying decisions for customers by promoting the benefits of a single printer, rather than confusing them by offering a choice of 10 different models. The promotional message could then be that customers need to hurry to take advantage of the latest printer offer because stocks are limited. This will also simplify inventory management because the Inventory Department will be able to place all inventory of the current model in a convenient location so that orders can be fulfilled quickly and easily.

Arguably, the Marketing Director's proposal is consistent with extending the life cycle of printers as a generic product. Ressett will be aiming to sell printers as quickly as possible, stressing the value of the particular model that is on sale. At the same time, the Buying Department will be aiming to buy fresh inventory of later models. Ressett is a major reseller, and it has a strong market position in relation to the purchase of surplus equipment, including printers. The most effective way to extend the life cycle of printer sales is for Ressett to buy all available surplus inventory in bulk. Sellers will be keen to make large sales of equipment that they wish to dispose of and will be prepared to negotiate attractive prices that will enable Ressett to ensure value for money.

The proposed approach will also extend the life cycle of printer cartridges, both in terms of models and as a product range. Ressett will not have to manufacture cartridges for different models of printers until those printers are actually on sale, which will enable it to maximise efficiency by making large batches. Once sufficient cartridges have been made for the first model of printer, Ressett can start production of the second. This approach should ensure that there are always sufficient quantities on hand of cartridges for each printer that has been sold by Ressett. Customers will benefit from the fact that Ressett always has cartridges available for sale, which will extend the life cycle.

Ratios

The Board should take care to remind the shareholders that the ROCE ratio could be misleading because the finance that was raised to fund this venture was not available to Ressett for the whole of the financial year. The investment was not made until 6 months before the year end, and it did not become productive until just 3 months before the year end. If the ratio is based on the capital employed figure from the statement of financial position as at the forthcoming year end, then the numerator and denominator will be inconsistent and ROCE will be understated. Operating profit will only have benefitted from the new business for part of the year, whereas the capital employed will reflect the investment in printers and cartridges as if the company had the funds available for the whole year. That could be a serious matter because ROCE is generally recognised as the most important profitability ratio and as a comprehensive measure of the Board's performance in putting funds to work. The Board could address this by providing the date when the manufacture and sale of cartridges came into

effect, which would enable the shareholders to base their ROCE calculation on the weighted average of the capital employed for the year.

The shareholders might be looking for evidence that Ressett is benefitting from the manufacture and sale of cartridges, which can be expected to have a higher markup than the company's existing products. The shareholders might be disappointed if they cannot see any change in the gross profit % for the year in which this new product range is launched. It would be appropriate for the Board to inform the shareholders that production of cartridges did not commence until 3 months before the year end. The Board might not wish to release information that could be useful to competitors, but would be sensible to make a positive statement that the shareholders should wait until next year's results for a reliable measure of performance.

Management Case Study

November 2025 & February 2026

Exam Answers

Variant 5

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

Section 1

Key performance indicators

The system should track the number of calls that are lost because customers are unwilling to wait for an adviser to become free. If calls are being lost, then Ressett could be losing sales opportunities or discouraging customers from awarding repeat business. Lost calls could imply that advisers are taking too long to deal with the calls that are answered and so lines are being tied up because of inefficiency. It is also possible that shift patterns could be adjusted to take account of busy periods by making more advisers available, say, in the middle of each day if that is when calls are being lost. The Board could also consider whether the number of lost calls suggests that there are too few advisers and that it would be a worthwhile investment to increase numbers.

The system should be programmed to track the number of repeat calls from different categories. If several calls from the same number are logged as, say, requests for technical advice concerning a recent purchase then the Board should consider whether there are problems that should be addressed. It may be that advisers are rushing to complete calls as quickly as possible and are failing to resolve customers' needs because of that. It may be that staff require additional training in resolving, say, calls seeking technical assistance. In any case, it is important to avoid setting unduly simple KPIs that might encourage dysfunctional behaviour, such as aiming to terminate calls quickly in order to maximise the number of calls that can be completed in a shift.

The number of calls logged as seeking pre-sales advice should be analysed to establish the proportion of such calls that result in a firm order. Customers may not necessarily intend to place an order when they seek advice, but advisers should be trained to ask whether they might consider placing an order during the call. These customers have expressed an interest in Ressett and one or more of its products, so

that opportunity should be taken to complete a sale. Calls from customers seeking advice in relation to potential repeat orders might be of particular interest because of the possibility of receiving large orders. Results from this KPI might indicate that the Board should consider establishing a separate telephone number relating to bulk orders. Calls to that number could be routed to advisers who have had specific training in dealing with corporate customers.

Allocating calls

Allocating calls on the basis of availability might make customer waiting times more consistent. Incoming calls can be taken by any member of staff who happens to be available, which will reduce the possibility of customers being asked to hold for extended periods until a specialist adviser becomes available. Exposing advisers to a wide range of customer queries will make their jobs more interesting and will make the advisers more versatile. Inexperienced advisers could be equipped with documents setting out frequently asked technical questions and appropriate responses. Over time, they will develop greater skill and confidence in handling such queries.

Allocating incoming calls on the basis of expertise will complicate customers' interaction with Ressett and its advisers. Ressett will either have to offer multiple telephone numbers for the call centre, so that customers can use the number corresponding to their reason for calling, or there will have to be a menu system for incoming calls, requiring customers to listen to a list of options and press the number that corresponds to their interest. Any such complications could lead to impatience or frustration on the customer's part, especially if there is an extended wait for a relevant adviser. Customers might also have unrealistic expectations of specialist advisers. For example, a customer might have a technical query that requires significant expertise to answer, such as the most suitable PC that can run a software package that has highly specific hardware requirements. It will be more difficult to advise that Ressett cannot answer such queries if calls are addressed to a specific technical line.

Section 2

Disruptive technology

Classifying a chatbot as disruptive would require it to make a fundamental change to Ressett's business model. At a superficial level, it could be argued that Ressett will continue to sell surplus IT equipment and so the business itself will remain unchanged. There will, however, be a significant investment in the chatbot, both financial and in terms of time and effort, in order to make it operational. The value of the chatbot lies in the training that it will receive in order to enable it to interact with customers. It seems unlikely that the Board will make such an investment unless it can be seen to offer significant positive change.

Ressett's business plan is focussed on the value for money associated with buying surplus equipment that is cheaper than the latest models. The chatbot will replace a large number of advisers, thereby reducing operating costs and so offering the possibility of even greater reductions in selling prices. Those savings will also enable Ressett to make a profit even if it has to pay slightly more for purchases. That is not, in itself, a fundamental change but it will enable Ressett to extend the logic underpinning its business model of low cost and value for money. The business model specifically refers to creating value for sellers and buyers.

There could be a significant impact on customers' willingness to buy from Ressett if they can access this level of advice on a constant basis. Ressett creates a new category of IT equipment by putting surplus equipment into a sellable condition and making it available to customers. The fact that this equipment is not currently manufactured means that customers must rely heavily on the seller's advice before committing to a buying decision. Having constant access to information about different models and the capabilities will simplify the process of browsing Ressett's website. Customers might order and pay for goods outside of business hours if they are attracted to a particular item, avoiding the risk that a rival company will win their business if they cannot obtain the advice they need immediately.

Engagement

Engaging staff will be complicated by the fact that they face redundancy once the chatbot has been trained and tested. There may seem to be little point in assisting the Board with this project, given that they may be hastening their loss of employment. That concern could be addressed to some extent by establishing a voluntary redundancy scheme, in the hope that some staff will be keen to take advantage of this and will be motivated to complete their time with Ressett by training the chatbot. Failing that, the staff who will be retained should be identified as soon as possible so that the uncertainty arising from the prospect of reductions can be eliminated.

This will be a new process that will be unfamiliar to staff. They may be demotivated if they lack confidence in their ability to complete the assignment satisfactorily. One way to deal with that would be to ensure that staff are trained in the process of programming and testing chatbots. Staff will be more likely to remain engaged if they can be confident that they are learning new skills that could be of value in seeking future employment.

Staff who are facing redundancy might lack engagement because they might believe that they have no reason to undertake this final task properly. The Board could deal

with this by setting realistic targets and monitoring progress, both for the staff as a whole and for individuals. Employees might be more engaged if they are being evaluated on their performance, particularly if it might affect their eligibility for any bonus being offered for satisfactory completion or might be reflected in any reference provided by Ressett.

Section 3

Accounting treatment

The cost of the software will have to be accounted for in accordance with the requirements of IAS 38 *Intangible assets*. The software is an intangible asset because it has met the recognition criteria in that the asset will generate future economic benefits, due to the expectation that customers will rely on the system for buying decisions and its cost can be recognised reliably, which is met because there will be a contract with the software company that will provide the licence. The software will be recognised at its initial cost of L\$1.2 million. It will then have to be amortised over the expected useful life of the asset, which could be 10 years, but might be shorter if Ressett believes that the life will be replaced with more up-to-date software when it becomes available.

The salary cost of the chatbot training will also have to be accounted for under the requirements of IAS 38. This will be an asset that will generate future economic benefits, arising from the fact that the model will be a reflection of the queries that customers are likely to make and so will enable them to use the chatbot effectively. There could be a concern about the cost of the wages associated with the modelling. IAS 38 requires those to be reflected accurately. That could be addressed by having staff complete timesheets or by identifying the staff who will be engaged in the project and the period of their employment on it. The cost of the model will have to be amortised over its useful life, which will have to be estimated by the Board.

The redundancy payments will have to be accounted for in terms of IAS 37 *Provisions, contingent liabilities and contingent assets*. Under the terms of the IAS, the cost of redundancy could be recognised as a provision because Ressett has a constructive obligation to pay this amount to the employees facing redundancy. This amount will probably be paid in order to settle the L\$2.9 million obligation and that amount can be estimated with reasonable accuracy. In recognising this amount as a provision, Ressett will have to include it in the statement of profit and loss as an operating cost. The associated payment will be recognised as a current liability in the statement of financial position.

Debt

Debt is usually the cheapest form of finance because lenders take relatively little risk when they make loans. They are repaid before equity holders receive anything in the event that the company is wound up. Lenders can secure their loans against specific assets, frequently the assets that are being financed using the loan. That could be a problem in this case because the software and training for the model will have no resale value and so lenders will not accept them as security.

Loan interest is deductible as an expense for tax purposes. That has the effect of reducing the cost of borrowing still further because there is no tax relief associated with the cost of equity. Ressett's operating profit is large enough to enable it to take advantage of the tax relief on loan interest if it borrows the L\$5.9 million.

Finally, borrowing will increase Ressett's gearing ratio, which will make the company a riskier investment. Gearing will increase from $L\$8.0m / (L\$8.0m + L\$27.1m) = 23\%$ to $(L\$8.0m + L\$5.9m) / (L\$8.0m + L\$5.9m + L\$27.1m) = 34\%$. The increase in gearing is significant, but not so large as to pose a threat to Ressett.

Section 4

Pricing strategy

It would make sense for customers to pay for each technical query that they submit to Ressett. That would ensure that customers could seek the extended technical support that they require but would discourage excessive use of the service. If Ressett offers a subscription-based service, then customers will have no real incentive to use it responsibly. They could submit requests for assistance over matters that they could easily resolve for themselves by making a simple online search relating to their query. Charging for individual queries will give customers an incentive to restrict requests to significant issues that require attention.

Ressett can estimate the cost of addressing individual queries and price those on a cost-plus basis. The Board could start with an estimate of the cost of providing this service and a conservative estimate of the number of queries that are expected. The charge for each query could then be set by adding a markup to the estimated cost. It should not matter if the price per query is substantial because customers seeking technical advice are likely to be keen to correct a problem with their computers and so will be willing to pay for that service. Ressett is more likely to recover its costs if it charges heavily for this service.

Transfer pricing

As a general rule, the optimum transfer price would be equal to the marginal cost to the Inventory Department of providing this support, plus the Inventory Department's opportunity cost. In this case, the marginal cost will be determined by the manner in which the support will be provided. If Inventory staff are not always fully employed and they use spare working time to update the chatbot then the marginal cost of their time will be zero. The marginal cost to Inventory might arise because staff are not available to process sales orders. If they have spare time for training, then the opportunity cost could also be zero. It is unlikely that the Inventory Department would be willing to offer Sales staff to train the chatbot at a transfer price of zero. It is also unlikely that a profit centre such as the Inventory Department will employ surplus staff, which would mean incurring additional cost for no benefit. The marginal cost may, therefore, be the cost of overtime paid to Inventory staff in return for time outside of their normal hours spent on training the chatbot. The opportunity cost of any support provided by Inventory is likely to remain zero, because revenue will only be lost if orders are left unprocessed. It is unlikely that the Inventory Department would ever be permitted to do so. The most likely outcome from the use of this model would be to set a transfer price that would reimburse Inventory for the costs incurred in providing the support. That is likely to be attractive to the Sales Department, but not to the Inventory Department.

The alternative to using economic models to set the transfer price would be to establish a negotiated transfer price that suits the management teams of both departments. The least that the Inventory Department will accept will be the cost of paying its staff for the time spent in training and updating the chatbot. It is also likely that the Inventory Department will wish to charge for the revenue that its staff could have earned for the department during the training time. The most that the Sales Department will pay would be the amount that would be charged by a suitable consultancy firm. There is likely to be a significant difference between the minimum and maximum and so it would be sensible to negotiate a transfer price that falls somewhere between the two and so

benefits both departments. This price would also enable Inventory to offer to pay its staff an additional overtime rate if they are too busy to complete the chatbot training during their normal working hours. The transfer price would be best expressed as an hourly rate, to take account of the amount of training that will be required at any given time.

Management Case Study
November 2025 & February 2026
Exam Answers

Variant 6

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Section 1

Business model

Ressett is creating value differently by creating a further new category of PCs for consumers, in the form of older PCs running open-source operating systems. Those operating systems are usually bundled with software that further enhances their value to customers. Customers who are keen to save money can buy one of these machines for even less than those that form the basis of Ressett's product range. Ressett will continue to sell only machines that meet its quality standards, so the savings are being brought about by the use of more cost-effective combinations of less powerful PCs that run more efficient operating systems. These operating systems are unlikely to exceed the capability of the PCs, which will extend the useful lives of these PCs.

The use of open-source software will assist Ressett to capture residual value differently, by creating additional value for both suppliers and customers. The ability to create highly functional PCs by installing an open-source operating system on older machines will allow more flexibility in buying decisions. Sellers might accept much smaller prices because their surplus machines may be regarded as obsolete by rival resellers. Sellers who would previously have scrapped older surplus equipment will now have an outlet in the form of a sale to Ressett. Customers will now have the opportunity to purchase functional PCs that are even cheaper than those that would previously have been their choice.

Project team

The composition of the team will be complicated by the fact that different departments could have conflicting interests in the decision to proceed. If the Board decides to proceed then the Buying Department will be faced with the need to source older

machines that meet Ressett's cosmetic requirements and that will run open-source operating systems. The Sales Department will be responsible for selling this new range and will have to develop suitable new content for Ressett's website. The Inventory Department will have to develop new skills in the installation of open-source operating systems, which may differ from the proprietary products that they are accustomed to. The Board will have to take care in deciding who will take responsibility for the leadership of this team because each department will have different interests.

It may be difficult to decide on the seniority of the staff who will participate in the project team because of the need to support the Board effectively. The Board might prefer to staff the team with senior managers, who will have the necessary experience of supporting and advising directors on strategic matters. There is, however, a risk that more junior staff will have recent expertise in relation to the technical skills that will be required to bring this range of PCs to the market. Seniority could also affect the team members' decisions. More junior members of staff might be reluctant to recommend proceeding in case they are blamed if the new products are unsuccessful. It may be necessary to have separate teams, one to deal with the technical issues and the other to advise on the commercial implications of proceeding.

The Board will have to plan and budget for key issues relating to time, cost and quality of the project team. There is no great urgency concerning the completion of the project, but it would still be important to set a deadline for completion. In the absence of a deadline, the team members will be distracted from their usual tasks for as long as they decide to spend on the project. The Board should set a realistic budget for cost, otherwise the project could fail if it is not adequately resourced and the team is unable to conduct the necessary market research or other activities. The Board should clarify its expectations in relation to the reliability of the team's recommendations. Ultimately, the Board should acknowledge that the project team will act in an advisory capacity, and the directors will be responsible for the final decision.

Section 2

Predicting cash flows

It may be difficult for Ressett to obtain meaningful feedback from market research concerning this proposal because customers might not understand what is being offered. Surveys could yield misleading results because customers might be unaware of the capabilities of open-source operating systems. For example, they might not realise that the software built into these operating systems can create and edit files produced by industry-standard packages. Potential customers might not be prepared to educate themselves about the advantages and disadvantages of open-source operating systems until the machines actually become available. Until then, responses to market research might be misleading because customers offer random responses.

It will be difficult to tell whether the new line of PCs will displace more profitable sales from the existing product range. Ressett's revenue depends largely on its ability to sell good quality IT equipment at an attractive price. This proposal suggests that a new line of PCs will be launched at an even lower price. Customers, particularly individuals, might be inclined to buy PCs with open-source operating systems. These machines will be promoted on the basis that they are just as capable as computers loaded with proprietary operating systems. Customers who are prepared to buy the refurbished computers that are currently sold by Ressett could be attracted away from current products by the lower prices. Ressett's only certainty is that older equipment will not be available in "new" or "nearly new" condition.

The availability of suitable PCs might be difficult to determine because Ressett has always focussed on surplus equipment that can run the latest operating systems. It may be difficult to tell whether there will be viable numbers of PCs that are in a satisfactory condition that would allow them to be refurbished. Potential sellers of older PCs might be inclined to keep them until they are beyond repair or refurbishment. They may not be motivated to dispose of those machines earlier in order to sell them to Ressett because it is unlikely that Ressett will offer high enough prices to justify earlier disposal. Ressett's Inventory Department might not be aware of the difficulties associated with installing open-source operating systems on older PCs.

Goodwill

Goodwill on acquisition is accounted for in accordance with IFRS 3 (revised) *Business combinations*. The first challenge will be in relation to determining the fair value of Ressett's investment in Geefurb. Neither company is quoted, which complicates the calculation of goodwill because there is no objective means of valuing Ressett's investment. It will be necessary for Ressett's Board to estimate the value of their company, so that it can determine the value of the 10% of the equity that Ressett is transferring to Geefurb. As an alternative, it would be possible to estimate Geefurb's value, which should be roughly the same as the value of the equity surrendered in order to make the acquisition.

It will also be necessary to determine the value of Geefurb's separable net assets. That raises the significant challenge of estimating the value of the company's assets as at the acquisition date. There is always a challenge associated with determining the fair value of assets because that requires an assumption concerning the amount that the

asset would sell for on the open market. Estimates of market values can be complicated because very few large assets have observable markets that enable an objective valuation to be determined. The fact that Geefurb's directors have attached an overall value that is 10% of Ressett's suggests that Geefurb is a relatively small company. That could mean that the asset base is small, although any errors in determining fair values could be material. There is also the fact that Geefurb is in a specialised line of business but creates the possibility that the company will have unusual assets that are particularly difficult to value, such as inventory of old computers.

Section 3

Customer complaints

The starting point will be to evaluate these complaints in relation to the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets*. The most important decision is to decide whether the costs associated with the claims should be recognised as a provision. IAS 37 sets out recognition criteria, all of which must be met. One of those criteria is that it must be possible to make a reliable estimate of the obligation. It seems highly unlikely that a reliable estimate can be made at this stage because of the diverse range of claims and the possible need to resolve these claims through court action. Given that uncertainty, it would not be appropriate to recognise the value of the claims as either a liability or a provision in Ressett's financial statements.

The more likely treatment in accordance with IAS 37 would be to treat the claims as a contingent liability. In that case, the matter would be described in the notes to the financial statements, but no entry would be made in the financial statements themselves. The concern here is that the customers' complaints seem to have been triggered by their failure to maintain the operating systems that they purchased from Ressett. That raises the question of whether it will be necessary for Ressett to make any form of compensation payment. If the likelihood of payment is remote, then no disclosure will be required. In this case, there could be an argument that Ressett will have to make some form of payment, even if it is a goodwill gesture. In that case, the potential losses should be treated as a contingent liability.

Business risks

Regardless of the publicity, customers could be reluctant to commit to PCs that use an unfamiliar operating system. Customers may not understand the advantages of the open-source approach to the development and maintenance of software and so demand for these new products could be disappointing. The fact that the PCs are designed to be inexpensive could lead to concerns that they are of poorer quality than those that Ressett currently sells. The fact that PCs are used for work or to maintain personal files and records could discourage the market from buying cheap machines that could prove to be unreliable. The adverse publicity associated with these complaints could reinforce these concerns.

These claims could create a product reputation risk because there could be significant publicity relating to these events. The customers who have failed to install their security updates are keen to blame Ressett for that failure, presumably in order to seek compensation for any losses or to avoid disciplinary action by their employers. Even if Ressett denies responsibility, potential customers may be reluctant to buy PCs that require active maintenance to prevent security weaknesses. The problems encountered with the computers may be due to a misunderstanding on the part of their owners. Unfortunately, potential customers might be just as likely to misunderstand the issues and so might be reluctant to buy computers that rely on open-source operating systems. It may be possible for Ressett to address this reputation risk by offering clear advice concerning security in its website, although such advice might also be misunderstood.

These events indicate that there is significant contractual inadequacy risk. It appears that Ressett has failed to advise buyers of these machines on the need to respond to prompts for updates. Ressett should have addressed the need for maintenance in its

conditions of sale, so that there was written evidence that customers are advised of the need to accept updates. There is, however, a strong possibility that any such advice would be overlooked because it was in the “fine print” of the sales agreement. Given that many computer users will be familiar with proprietary operating systems, it is regrettable that Ressett did not email customers with clear instructions about the need to protect their equipment by responding to prompts. It does not necessarily matter that the customers appear to have been negligent in this case. From a reputational point of view, Ressett will appear to have been at fault.

Section 4

Comparison

A thorough comparison would enable Ressett to communicate the benefits of switching to the version that has been produced in-house more clearly. Publishing those benefits would assist shareholders to understand whether there is likely to be a benefit from loading Ressett's version. Making customers aware of those benefits will also assist them to identify and appreciate the effects of the changes that Ressett's programmers have made and might encourage them to post positive reviews to social media. There will be reputational advantages to demonstrating the superiority of Ressett's version of the operating system. Customers might be reassured that the open-source PCs that Ressett sells will offer a reliable combination of hardware and software. The results of the comparison might create the impression that Ressett's version of the operating system has been optimised to better suit the older and less powerful PCs for which it has been developed.

Publishing the results of this comparison will enable Ressett to demonstrate that it is contributing to the open-source community, assisting with updating this operating system. There will be less risk of criticism that the company is taking advantage of the community by installing the operating system without payment. Ressett's contact with its customers will help it to identify characteristics that matter to typical computer users, such as the importance of the user interface.

In the short term, the comparison results might be viewed as an admission that Ressett supplied PCs that were running a defective operating system. If the changes that it makes are more than superficial then they may be interpreted as confirmation that the system as first supplied was insecure and difficult to manage. The constant publication of upgraded versions, with associated comparisons with the versions being replaced, might seem to indicate that the open-source operating system is not reliable enough to be used. It may be preferable for Ressett to update the operating system and to make it available in accordance with the open-source community's regulations, all without publishing the results of any comparisons. That version could then be installed on all PCs that are being prepared for sale, so Ressett's customers will still benefit from the latest version.

Publishing comparisons might encourage Ressett's rival resellers to publish their own upgraded versions of the operating system. Their comparison results will probably create the impression that Ressett's version is inferior to theirs. Ressett would then be faced with the choice between installing the rival version or working to develop a further update that represents an even greater improvement. This use of the open-source community's website for commercial gain could lead to criticism.

Integrated report

Ressett will have to take care when reflecting these changes in its intellectual capital because it will not own any copyright in its version of the open-source operating system. The updates to the operating system will, however, create organisational capital from the fact that Ressett will know which sections of the operating system have been updated and how. This will be of value if further changes are necessary in order to meet the company's needs.

Human capital will be enhanced by the fact that Ressett's engineers will gain experience in programming. Most of the work that they undertake at present involves the testing and evaluation of hardware, so they may require training to refresh their programming skills. The engineers will also develop additional understanding of the operating system that will be used to run the new range of PCs that Ressett will be selling.

Ressett will be able to claim that it is enhancing its social and relationship capital through its engagement with the open-source community. The company will be creating improved versions of the operating system that will be available to all users, not just Ressett customers. If the company continues to develop improved versions of the software, then it will be creating a different relationship with its customers, who will benefit from these changes. There will also be a social benefit arising from the enhancement of the operating system that is freely available to all interested users.

Management Level Case Study – Examiner’s report

November 2025 and February 2026 exam session

This document should be read in conjunction with the examiner’s suggested answers and marking guidance.

General comments

The Management Case Study (MCS) examinations for November 2025 and February 2026 were based on a pre-seen scenario relating to Ressett, a company that buys new and used personal computers and related products for resale to individuals, corporate and public sector customers. It buys these in bulk and resells at prices that are significantly cheaper than the prices charged by conventional retailers for the latest brand new computers.

Six variants were set on Ressett:

- Variant 1: a consignment of laptops that previously belonged to a bank has been resold without the data being fully deleted.
- Variant 2: Ressett is considering the expansion of the consulting side of its business, which advises customers on suitable equipment for their needs.
- Variant 3: Ressett is considering a trade-in service that will enable customers to return old equipment whenever they make a purchase.
- Variant 4: Ressett is finding it difficult to source consumables for the printers that it sells.
- Variant 5: Ressett wishes to improve its evaluation of the sales and customer service staff working in the company’s call centre.
- Variant 6: Ressett is considering the implications of an operating system that will extend the life of low-powered computers.

All six variants complied with the published blueprint and covered the core activities in the prescribed weightings. Each variant consisted of four tasks and each task was further subdivided into two separate requirements. The weighting attached to each requirement was stated and candidates were advised to allocate the time available for each requirement on the basis of those weightings. Markers were instructed to adopt a holistic approach to marking, which meant that the answer to each requirement was read and judged on its merits. Markers were provided with specific guidance as to the characteristics of level 1, level 2 and level 3 answers for each separate requirement.

From the candidate’s perspective, the key to scoring well is to read and then answer the questions. The expectation is that candidates will be familiar with the context of the company and its industry from their prior study of the pre-seen. Ressett buys inventory from suppliers who happen to have surplus equipment for sale. It sells to customers who are likely to own only one computer at a time.

These factors complicate the issues that Ressett faces in its business operations. It is important to address the specific requirements set in each task. Higher marks are awarded to fuller answers that are relevant and correct. Relevance and correctness are frequently judged in the context of the scenario, taking account of the nature of the business and the specific issues raised by the new information provided in the variant itself and the tasks set by the requirements.

A level 3 score generally requires a combination of good technical understanding and good application to the issues arising from the scenario. Scripts that receive level 3 scores generally demonstrate clear and comprehensive discussion and frequently offer an explanation or justification for the candidate's recommendations or arguments. Candidates should always bear in mind that the MCS is essentially a simulation of a series of work-based tasks that represent the professional competence appropriate to this level.

Level 1 scores tended to be awarded to answers that demonstrated some or all of the following:

- failure to address the requirement in the task.
- limited technical understanding of the syllabus content.
- unsupported assertions that had little or no justification.
- illogical or unrealistic application to the issues arising from the scenario.

Variant 1 Comments on performance

	Designed to test	Core activity
Task 1	How will the sale of refurbished laptops that have not had all of the previous owner's data wiped affect stakeholders?	A – Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	Should the engineering department's staff be held responsible for this oversight?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
Task 2	How should the project to identify the compromised laptops be organised?	B – Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
	How should the potential costs associated with claims from the stakeholders be accounted for?	D – Select appropriate accounting treatments and explain their implications for users of the financial statements
Task 3	How might TQM be applied to ensuring the quality of computers being checked prior to resale?	C - Identify and apply appropriate quality management techniques to enhance value
	How should transfer prices for the secondment of staff between departments be determined?	E – Explain the behavioural and transfer pricing issues associated with internal trading
Task 4	What are the legal risks associated with requiring sellers of used computers to wipe their own data before sending them to Ressett?	D – Select and apply suitable tools and techniques for managing risk and uncertainty in business models
	How will this new rule concerning sellers wiping their own computers be reflected in Ressett's integrated report?	E – Explain the implications of Integrated Reporting for the reporting entity and its stakeholders

Task 1

Ressett purchased a consignment of 100 laptops from a bank. The laptops had been used by bank staff to process customer loan applications and so contained confidential information about customers, which Ressett had agreed to delete before they were resold to third parties. Ressett has, however, received complaints from six customers that their recently purchased laptops contain data relating to bank customers' loan applications. It is unclear whether these six laptops are the only ones that have been sold with data still in place or whether there are more.

The first sub-task asked for the identification of the stakeholders affected by the suspicion that some or all of this consignment of laptops had been sold with customer data still in place. The requirement also asked for an indication of the power and interest of the stakeholders who had been identified. Level 1 answers often simply listed possible stakeholders, with very little justification for their selection. In most cases, a clear explanation of power and interest would have been sufficient to justify the inclusion of the stakeholders in the list. There is very little point in identifying possible stakeholders without offering some justification for the selection of each. Some justifications at this level were weak. For example, arguing that affected customers will not buy any further laptops from Ressett may be true, but it is unlikely that many customers will buy laptops frequently. Level 3 answers generally justified the selection of stakeholders and went into sufficient detail to demonstrate an understanding of the issues involved.

The second sub-task asked about the extent to which the leader of the team that is responsible for refurbishing used laptops should be blamed for the failure to delete data from all machines. The team had lost a number of staff immediately before the purchase of this consignment of laptops, including its leader. The replacement leader had previously been a member of the refurbishment team. Half of the team members had no experience of refurbishment. Level 3 answers generally offered a considered evaluation of the extent to which it would be fair to blame the team leader. Arguments at this level tended to focus on the justification for the candidate's position. There is scope for arguments for and against blaming the incoming team leader. Level 1 answers tended to offer an unsupported assertion for or against attributing blame, with little or no justification for that position. In practice, there will often be scope for different opinions on matters of judgement. It is important to be able to offer a clear explanation of why a particular position has been taken.

Task 2

The Board is considering further aspects of its response to the sale of laptops containing personal data that should have been deleted before their resale.

The first sub-task related to the planning of a project to investigate the number of laptops that had been resold without being properly wiped to remove confidential data. The sub-task asked about the consideration of time, cost and quality in relation to the planning of that project. Level 3 answers generally provided a detailed discussion of each of the three constraints, both individually and collectively. Answers at this level reflected the importance of each constraint. For example, it could be argued that the project should be completed quickly in order to enable Ressett to offer prompt reassurance to banks customers whose files might have been compromised. It should, however, be borne in mind that quality is potentially more important. A thorough investigation that reaches a well-supported conclusion is potentially preferable to one that is concluded quickly but that is subsequently found to have been unreliable. Level 1 answers tended to lack development, often simply describing the three constraints in turn and saying little or nothing about the extent to which they should be considered by Ressett's Board.

The second sub-task asked about the accounting treatment of the compensation claims against Ressett by the bank whose customer files have been compromised. Level 3 answers generally started

by identifying the relevant accounting standard and the conditions that would have to be met in order to justify a particular treatment that was available under that standard. Answers at this level frequently offered a reason for being unable to classify the potential payment as a provision but did explain clearly why it should be a contingent liability. Level 1 answers tended to summarise the accounting standard but said very little about the application of that standard to the scenario. A senior manager is unlikely to be satisfied with such a summary unless it is developed into a clear recommendation for a suitable accounting treatment.

Task 3

Ressett's Board is keen to avoid a recurrence of the problems that it faces in relation to the sale of used computers that have not been properly refurbished.

The first sub-task asked for a recommendation concerning the ways in which TQM might be incorporated into the refurbishment of used computers. The quality of answers varied according to the extent to which they related to the scenario. Level 1 answers tended to consist of summaries or descriptions of TQM, with little argument in relation to the application to the scenario. Level 3 answers demonstrated an awareness of the ways in which TQM concepts might be usefully incorporated into managing or enhancing the process of preparing laptops for resale.

The second sub-task asked about the difficulties associated with determining opportunity costs associated with the secondment of technicians between departments. This opportunity cost was intended as a starting point in determining transfer prices for technician time so that internal trade was encouraged to the benefit of Ressett as a whole. Level 3 answers reflected the nature of the business and the problems associated with setting opportunity costs under realistic conditions, in which there were different levels of demand for staff time. Level 1 answers tended to summarise the different bases that could be used for setting transfer prices, ignoring the requirement concerning opportunity costs.

Task 4

The Board is considering changing its terms of business to require sellers of used computers to delete all data before supplying them to the company. That would effectively make the suppliers responsible for deletion of data. Ressett would also have the reassurance that suppliers would have a clear incentive to ensure that all data belonging to them is deleted.

The first sub-task asked about the contractual inadequacy risks associated with this change of practice. Level 1 answers tended to do little more than summarise the definition of contractual inadequacy risk and did very little to relate that summary to the scenario. Level 3 answers generally demonstrated a realistic understanding of the business and the implications of transferring risk to sellers. Answers at this level often pointed out that Ressett might still be held responsible for selling computers that retain confidential files even if their suppliers had agreed to delete everything.

The second sub-task asked about the impact that changes to Ressett's approach to managing refurbishment might have on three specific capitals in the integrated report. Level 1 answers tended to make little attempt to discuss the impact that the new business practices would have on these capitals, generally providing a description of the capitals. Level 3 answers were generally structured around the three capitals listed in the sub-task and offered a reasoned explanation of how the disclosures relating to each would be affected.

Variant 2 Comments on performance

	Designed to test	Core activity
Task 1	How will an increased emphasis on consultancy affect Ressett's business model?	A – Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	What features of equity make it suitable for funding the creation of a new consultancy venture?	B – Select suitable financing sources and explain the characteristics of the different types of funding
Task 2	What are the challenges associated with creating an effective team to staff a new consultancy department?	B – Recognise the characteristics of high performing teams
	What type of responsibility centre would be suitable for the consultancy department?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
Task 3	How should transfer prices be set between normal sales and consulting sales?	E – Explain the behavioural and transfer pricing issues associated with internal trading
	How should revenue be recognised on sales of computer laboratories?	D – Select appropriate accounting treatments and explain their implications for users of the financial statements
Task 4	Should the business risks associated with consultancy sales be managed?	D – Select and apply suitable tools and techniques for managing risk and uncertainty in business models
	How should the new consultancy service be reflected under natural capital in the integrated report?	E – Explain the implications of Integrated Reporting for the reporting entity and its stakeholders

Task 1

This scenario begins with a proposal that Ressett should establish a corporate sales consultancy team to provide assistance to clients by recommending appropriate equipment, planning the layout of new systems and giving advice on installation and operation.

Candidates were first asked to recommend with reasons the changes that the proposed consultancy venture would require in Ressett's business model.

Level 3 answers suggested appropriate changes and justified them well. Answers were often structured around defining, creating, delivering and capturing value. Candidates often explained the fact that the consultancy will mean that Ressett is now offering a service rather than just buying and selling equipment, and that the consultancy will be an additional source of added value which cannot be duplicated by rival equipment sellers. Level 2 responses often identified some appropriate changes but did not provide sufficient reasoning to justify them or only described changes to some aspects of the current business model but omitted others. Level 1 answers often described Ressett's existing business model rather than recommending the changes needed.

Candidates were then asked to discuss the features of equity (in the form of ordinary shares) that would affect its suitability for the financing of the consultancy venture and were reminded that Ressett is unquoted.

Level 3 responses discussed key features of equity such as the risks taken by shareholders, issuing costs and the difficulties which would be presented by the company's lack of a stock market listing. Level 2 answers often focussed on only one or two factors – such as the listing issue. Comments on the implications of issuing shares as an unquoted company were sometimes not technically correct. Again, level 1 answers often provided very generic descriptions of the features of equity and debt but did not tailor their comments to the specific scenario presented here.

Task 2

The Board is still considering whether to go ahead with the creation of a consultancy team. This would consist of 12 members appointed by transferring staff within Ressett as well as external recruitment. As the workload is likely to vary, the consultants would be required to work in the call centre when there is insufficient consultancy work.

Candidates were asked to identify and evaluate the challenges associated with creating an effective team to provide the consultancy services.

Level 3 answers provided a good discussion of appropriate issues such as the risk that the team might not have the necessary skills, that working in the call centre could be very demotivating and that there could be a lack of cooperation between staff recruited internally and those brought in from outside. Level 2 answers were sometimes less well focussed and often used a model such as Tuckman's team development, without tailoring their comments to the specific scenario set out in the case study. Level 1 responses often only identified a single issue and did not provide a fully developed discussion.

Secondly, candidates were asked to recommend with reasons whether the consultancy should be established as a cost centre, a profit centre or an investment centre.

Level 3 responses provided a sensible recommendation, backed up by a good discussion of the potential implications for Ressett of each of the potential options. For example, a profit centre would encourage the consultancy team to maximise sales and would help align the interests of the team with the company as a whole, whereas an investment centre would not be appropriate as the team does not currently need investment. Level 2 answers often provided a general discussion about the different

possibilities without tailoring their comments to the specific scenario. Level 1 responses tended to describe cost centres, profit centres and investment centres without making clear recommendations as to which is the most appropriate in this situation.

Task 3

The Board discussed implementation issues associated with the creation of the new consultancy service, following a decision to set up the new service as a profit centre, which will sell PCs and peripherals to customers at a small discount to the prices charged on Ressett's website.

Candidates were first asked to recommend with reasons a suitable strategy for setting transfer prices between the Sales Department and the Consultancy Department.

Level 3 responses provided good evaluation, discussing the implications of options such as marginal cost plus opportunity cost or open market selling price. Candidates explained the advantages and disadvantages of different methods in the context of the need to discourage dysfunctional behaviour. Level 2 responses often showed a reasonable knowledge of transfer pricing methods but did not apply the knowledge sufficiently to the specific scenario. Level 1 answers described different methods of setting transfer prices but did not provide evaluation or justified recommendations.

Secondly, candidates were asked to explain how Ressett should recognise the revenue from consultancy sales contracts in its financial statements. The contracts would be priced as a small fee to cover initial video conferencing with the customer, a charge for design work and equipment which would be invoiced on deliver, and then further advice on installation and operation for the first month followed by up to 1 hour each month for 2 years after purchase.

Level 3 answers correctly identified that the contract would need to be accounted for in accordance with IFRS 15 and explained the IFRS requirements. The initial fee can be recognised as revenue as soon as the invoice is submitted, the revenue from the equipment when delivered and the aftersales support based on the estimates of consultancy hours. Level 2 answers showed some understanding but were often less precise and not fully accurate. Level 1 answers often showed a lack of technical knowledge.

Task 4

The Board is discussing some last-minute concerns before the new consultancy service is launched. The consultants will use video conferencing to meet with customers, and customers will install the new systems themselves following detailed plans supplied by the consultants.

Candidates were asked to identify and evaluate the product reputation, commodity price and contractual inadequacy risks associated with the proposed consultancy service.

Level 3 responses discussed the product reputation risk arising from a potential failed implementation, the risk that supplies of surplus IT equipment could be limited which would restrict sales and potentially increase market prices, and also the fact that clients might have very limited IT skills and could blame Ressett if the terms of the contract did not make it very clear whether responsibility lies with Ressett or the client. Level 2 responses often identified appropriate risks but did not provide fully developed evaluation of them. Level 1 answers identified some risks but often discussed risks more generally rather than focussing on product reputation, commodity price and contractual inadequacy.

Finally, candidates were asked to recommend with reasons the matters that should be reflected in relation to the proposed consultancy service under natural capital in Ressett's integrated report.

Level 3 responses showed sound technical knowledge and applied this well to the scenario, discussing the reduction in the quantity of electronic waste going to landfill and the environmental benefits of using video conferencing instead of travelling to physical meetings. Level 2 answers were often less well developed, sometimes discussing integrated reporting in general terms rather than focussing on the specific requirements. Level 1 responses were often not based on sound technical understanding and did not correctly identify many issues which would be included in the integrated report.

Variant 3 Comments on performance

	Designed to test	Core activity
Task 1	What are the challenges associated with predicting the cash flows from a proposal to recycle customers' old computers?	A – 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
	How should Ressett approach the negotiation of the terms for the sale of electronic scrap to specialists in processing such material?	E – Advise on the negotiation process
Task 2	Should membership of the project team that will explore this proposal be restricted to senior sales managers?	B – Identify the key project personnel, explain their responsibilities and set appropriate performance measures
	How might Ressett approach the pricing of old but functional reconditioned computers obtained through trade-in?	A – Explain which pricing strategies are appropriate
Task 3	Should the trade-in department should be established as a cost centre or a profit centre?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
	How should a possible joint arrangement be accounted for?	D – Select appropriate accounting treatments and explain their implications for users of the financial statements
Task 4	How should business risks be managed?	C – Apply the techniques that quantify and present risk to stakeholders
	How should this venture be reported in the integrated report?	E – Explain the implications of Integrated Reporting for the reporting entity and its stakeholders

Task 1

Candidates are presented with extracts of minutes from a board room proposal to offer a recycling facility as part of the delivery process for new laptops and printers. Firstly, they were asked to identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of the implementation of the Marketing Director's proposal.

Most candidates appeared comfortable with this task. Most level 1 responses highlighted that the volume of business would be difficult to predict. Level 2 and 3 candidates were better at finding more issues to discuss, particularly discussing cost and the process involved in secure destruction and in reclaiming components. The benefits of secure destruction were not understood by many, but generic answers discussing "Greening" and "Sustainability" were frequent. Better candidates highlighted the difficulties in taking quite complex processes and business reasoning forward to make a cohesive business plan. Trying to place a value on uncertain volumes of recovered materials and the need to have partners able to carry out the process meant that costs involved would be difficult to quantify.

Secondly, candidates were asked to recommend with reasons the approach that Ressett should take to the negotiation of the terms for the sale of electronic waste to sustainable disposal such as Crushter.

Many level 1 type responses reverted to discussing theory with no application to the scenario. What is required to gain a level 3 mark is demonstration that the candidate has a good grasp of the technical issues and can apply that in the scenario. Demonstrating an appreciation of the difficulties and needs on both sides of the negotiation process by looking at the business is what was required to score a level 3 mark. There was plenty of material available including the following: realistic aspirations, volume discounts and duration of initial agreement.

Task 2

Three months pass and candidates have been advised that the recycling service take up has been successful for 2 months and that marketing is proposing to develop the service to allow resale of some of the better items that have been returned. A project team needs to be set up to investigate the feasibility of this venture, and candidates are asked to evaluate the arguments for and against the membership of the proposed project team being restricted to senior managers from the Sales Department.

Answers were good overall. Again, level 1 responses tend to focus on pure theory around project team definition. The question explicitly guided the response towards a particular aspect of the makeup of the project team and good answers brought out difficulties and benefits resulting from that restricted make up. Poor answers tended to have rather narrow discussion on the benefits where better answers were able to broaden the discussion to highlight the need for involvement from other areas which would be directly impacted.

Part 2 of task 2 asked candidates to evaluate the advantages and disadvantages of inviting buyers of these laptops to bid for them rather than setting fixed prices. Again, level 1 answers were characterised by a lack of breadth of answer, often they were rather one sided for or against. Level 3 answers were very good and often included some of the following: tracking sales, follow up with client management and the potential for additional services. These answers demonstrated an understanding of potential problems with estimating refurbishment costs, following up complaints, tracking profitability and stock management.

Task 3

The scenario rolls forward a further month and candidates are advised that a board report has described developments in the sale of laptops process and proposed an online marketplace be set up. Candidates are requested to recommend with reasons whether the proposed “Recycling” responsibility centre within Ressett for the preparation and sale of laptops would be better organised as a cost centre or a profit centre.

Generally, responses were quite good here, with arguments being made both ways. Either is correct if supported by relevant arguments. Level 3 candidates provided better supporting arguments and generally concluded with a recommendation as requested. Level 1 candidates often omitted the recommendation or indeed presented a case for one side only.

The task went on to ask candidates to identify and explain the matters that would have to be agreed in establishing the new company so that it might be accounted for as a joint venture in Ressett’s financial statements and explain the accounting implications for Ressett’s financial statements of doing so.

This task had the weakest responses in this variant. Many candidates failed to recognize that accounting for the arrangement as a joint venture as defined in IFRS 11 would require that they would need to create an arrangement that gave both Ressett and Crushter joint control. Joint control would be established through a contract that required both parties to consent to any decisions concerning the arrangement. The parties can share profits and set up costs in any proportion but MUST agree on any significant business decisions.

Level 3 responses quickly established requirements and went on to discuss possible difficulties and possibilities for investment and profit sharing. Many poorer candidates displayed a lack of knowledge and discussed various aspects of associate and subsidiary control which were not relevant.

Task 4

The scenario rolls forward a further 3 months and candidates are advised that a new responsibility centre has been set up to deal with recycling, recovery and resale. Candidates are presented with Board minute extracts and asked to evaluate the product reputation and contractual inadequacy risks that might emerge from the feedback concerning the new recycling scheme.

There were some very good answers highlighting several possible issues on product reputation. The answers on contractual inadequacy were varied. There were some excellent answers but the majority were vague with very little understanding or evaluation. Level 3 responses gave a greater depth to their evaluation of both aspects, particularly the contractual inadequacy.

Finally, candidates were asked to recommend with reasons the disclosures that should be made in Ressett’s integrated report in relation to the impact of the recycling scheme on Ressett’s: human capital, social and relationship capital, and natural capital.

There were mostly very reasonable answers here. Level 3 responses tended to adhere to the question asked and gave recommendations with reasons on all three capitals. Poorer responses simply had gaps in the answer on one or more of the capitals.

Variant 4 Comments on performance

	Designed to test	Core activity
Task 1	How should Ressett adjust its business model in response to the shortages of consumables?	A – Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	What impact will shortages of consumables have for Ressett's product risk, commodity price risk and product reputation risk?	D – Select and apply suitable tools and techniques for managing risk and uncertainty in business models
Task 2	What real options might be created in order to manage the risks associated with investing in the manufacture of printer cartridges?	B – Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
	How should the Board resolve the conflict between the Marketing Department and the Sustainability Champion with respect to the introduction of the manufacture of printer cartridges?	E – Advise on conflict management
Task 3	What characteristics of debt would affect its suitability for financing the Marketing Director's proposal?	B – Select suitable financing sources and explain the characteristics of the different types of funding
	What impact will the Marketing Director's proposal have on manufactured capital, intellectual capital and social and relationship capital in Ressett's integrated report?	E – Explain the implications of Integrated Reporting for the reporting entity and its stakeholders
Task 4	How might life-cycle costing principles be used to evaluate the Marketing Director's proposed approach to the sale of printers and ink cartridges?	C – Identify and apply appropriate quality management techniques to enhance value
	How should Ressett's Board explain the impact of the facts described by Heather Munro in relation to the interpretation of Ressett's return on capital employed (ROCE) and gross profit % ratios?	D – Use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios

Task 1

Some of the equipment that Ressett sells requires consumable products, such as toner or ink cartridges for printers. Many of the consumables that Ressett sells are becoming difficult to obtain because manufacturers are no longer making them.

The first sub-task asked for a recommendation as to how Ressett's business model should be adjusted to allow for the poor availability of consumables. The key to addressing this issue is to consider the implications of selling equipment that will effectively become useless once its consumables become impossible to replace. Level 3 answers generally reflected the fact that Ressett should be considering the implications of selling printers and other equipment that will be affected by this shortage. Those answers offered recommendations that reflected the possibilities that equipment requiring scarce consumables might be withdrawn from sale or that Ressett might find some means of manufacturing its own range of consumables. Level 1 answers tended to be unrealistic, often stating that Ressett should address the shortage of consumables without offering any explanation of how it might do so.

The second sub-task asked about the impact that shortages might have on Ressett's business risks, specifically product risk, commodity price risk and product reputation risk. Level 3 answers generally addressed each of the risks in turn, offering a realistic evaluation of the impact that these risks might have. Answers at this level generally identified the fact that the business risks were largely focussed on the IT equipment that depended on these consumables rather than the consumables themselves. Customers are, for example, unlikely to buy printers if they are aware that their toner or ink cannot be replaced. Level 3 answers generally lacked application, often focussing on the consumables themselves. It is, for example, unlikely that Ressett will find it difficult to sell ink cartridges because there will be owners who need those for their printers.

Task 2

Ressett is considering making its own ink and toner cartridges. That creates some concerns, both in terms of the risk that the product will be a commercial failure and because it creates a conflict for the manager appointed as sustainability champion.

The first sub-task asked for recommendations concerning real options that could be used to manage the risks associated with launching the new manufacturing process. Level 3 answers focussed on the nature of the products that are to be manufactured and reflected the manner in which real options could be created. Answers at this level generally demonstrated some understanding of the business issue. It would be reasonable to expect such solutions to be implemented in the real world. For example, some candidates offered recommendations relating to the creation of joint ventures for manufacturing so that the risks could be shared. Level 1 answers often did little more than provide a checklist of categories of real option, with little or no real attempt to explain how those types of option might be created in practice.

The second sub-task asked about the conflict between the needs of the Marketing Department and those of the Sustainability Champion. That is a complicated problem because the Marketing Department is proposing the sale of a new product that will create significant e-waste, while the Sustainability Champion has a formal responsibility to eliminate such waste as far as possible. Level 3 answers tended to acknowledge that the resolution of this conflict will be impossible because of the incompatible nature of the job descriptions. Level 3 answers offered realistic solutions that might mitigate the conflict to some extent. For example, some answers at this level suggested ways in which the cartridges might be modified to hold more ink, thereby delaying the disposal of the empty cartridges and so reducing the e-waste. Level 1 answers often viewed the conflict as being a matter of

personality and focussed on the need to manage individuals' feelings. That approach had relatively little to do with creating a practical solution to the conflict.

Task 3

Ressett has sold a batch of cartridges and that has proved successful. The Board is considering extending the range of cartridges that it will make and sell.

The first sub-task dealt with the characteristics of debt that would affect its suitability for financing this proposal. Level 3 answers did as the question asked by identifying the characteristics of debt and relating them to the natures of the assets that are to be funded and the implications for Ressett of raising this sum by borrowing. Answers at this level would have enabled Ressett's Board to have understood the nature of the contract they were signing if they borrowed the L\$12 million. Level 1 answers often consisted of "brain dumps" about every form of finance that is available to Ressett, including equity finance and specific types of debt, such as overdrafts, that would not have been considered as viable possibilities.

The second sub-task asked about the impact that extending the manufacturing would have on manufactured capital, intellectual capital and social and relationship capital. Level 3 answers tended to take each capital in turn and offered a realistic appraisal that the proposed business venture would have on each capital. Level 1 answers tended to describe the capitals, making little attempt to link them to the proposal under consideration.

Task 4

Ressett has a large inventory of inkjet printers, made up of 10 different models. The Marketing Director has proposed that Ressett should manufacture ink cartridges for one printer model at a time, aiming to promote and sell as many printers of that model as possible, supporting those sales by ensuring that there are ink cartridges available for the printers that are being promoted.

The first sub-task asked for an evaluation of the Marketing Director's proposal, based on life-cycle costing principles. Level 3 answers reflected the commercial implications of this proposal. It would enable Ressett to benefit from economies of scale in the manufacture of inkjet cartridges and would allow the company to build up an inventory of cartridges that could be sold to customers who bought the printers that had been promoted. That would reduce the risk of bad publicity associated with running out of cartridges if all ten printer models were sold at once. Level 1 answers tended to ignore the commercial implications of the Marketing Director's proposal. Answers at this level made little attempt to consider the advantages or disadvantages of considering a single product at once. Some answers provided a summary of the product life cycle, offering very little application to the requirement.

The second sub-task asked about the impact that investing in printers and cartridges might have on Ressett's return on capital employed and gross profit percent ratios. Level 3 answers recognised that there could be a significant impact on ROCE, primarily because the investment in this proposal will increase capital employed as at the year end. That increase will not be matched by a proportionate increase in return because sales of the new products will only commence 3 months before the year end. Answers at this level recognised that the impact on gross profit % would be more subtle because of the operation of accruals-based accounting, but level 3 responses addressed the requirement. Level 1 answers tended to state the formulae for ROCE and gross profit %. They often ignored the fact that a large closing inventory will have no impact on the cost of sales and so it will not depress gross profit.

Variant 5 Comments on performance

	Designed to test	Core activity
Task 1	Recommend with reasons three performance indicators that could be used by Ressett's Board to track the call centre's performance.	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
	Recommend with reasons whether calls should be allocated to advisers on the basis of availability or expertise.	B – Recognise the characteristics of high performing teams
Task 2	Recommend with reasons whether or not the Board should view the introduction of a chatbot as a disruptive technology.	A – Analyse the impact of disruptive and digital operating business models in the context of digital ecosystems
	Identify and evaluate the challenges associated with maintaining the engagement of call centre advisers in training a chatbot.	C – Analyse the processes needed to ensure employee engagement, empowerment and alignment to enhance individual and team performance
Task 3	Recommend with reasons how the costs should be accounted for in the financial statements for the current year.	D – Select appropriate accounting treatments and explain their implications for users of the financial statements
	Evaluate the characteristics of debt that would affect its suitability for the financing of the costs.	B – Select suitable financing sources and explain the characteristics of the different types of funding
Task 4	Recommend with reasons which form Ressett should use to charge customers for additional technical support and the basis on which this should be priced.	A – Explain which pricing strategies are appropriate
	Recommend with reasons the basis for setting transfer prices for technical support that is optimal from the perspective of Ressett as a whole.	E – Explain the behavioural and transfer pricing issues associated with internal trading

Task 1

This scenario begins with a board review of the performance of the company's call centre.

Candidates were first asked to recommend with reasons three performance indicators that could be used by Ressett's Board to track the call centre's performance.

Level 3 answers gave three appropriate indicators and justified them well. Recommendations included tracking the number of calls lost because customers were unwilling to wait for an adviser, as this could lose sales opportunities or repeat business and could possibly be remedied by changing shift patterns or recruiting more advisers. Another appropriate indicator would be to track the proportion of calls seeking pre-sale advice which subsequently led to orders, as this might indicate a need to establish a separate phone line for bulk orders. Level 2 answers often identified three appropriate indicators but did not provide strong justification for them. Level 1 responses identified fewer indicators or sometimes selected several indicators which effectively measured the same element of performance, or indicators which did not relate to the performance of the call centre itself.

Secondly, candidates were asked to recommend with reasons whether calls should be allocated to advisers on the basis of availability or expertise.

Level 3 answers provided a balanced discussion, reflecting the advantages or disadvantages of each option and gave a clear recommendation based on their analysis. Appropriate points included the fact that allocating on the basis of availability would reduce the need for a customer to wait for an adviser to be available but might mean that the adviser would not be able to assist with their query. Level 2 responses often gave a clear recommendation but presented a one-sided argument, for example, recommending basing allocation on expertise but not pointing out the downsides of this or the advantages of allocation on availability. Level 1 answers generally provided a recommendation but without sufficient justification.

Task 2

James Tan believes that most of the call centre advisers could be replaced by a chatbot, as many of the calls are requests for assistance in relation to a narrow range of topics.

Candidates were first asked to recommend with reasons whether or not the Board should view the introduction of a chatbot as a disruptive technology.

Level 3 answers showed good understanding of disruptive technology, recognising that this classification would require it to make a fundamental difference to Ressett's business model. They presented balanced arguments including the impact of cost savings on the business model of low cost and good value, and the significant impact on the availability of advice to customers. Level 2 answers were often less well developed and explored a narrower range of issues. Some level 1 answers did not directly address the question asked and instead explored whether or not Ressett should introduce the chatbot. Some showed very poor understanding of what a disruptive technology is.

Candidates were then asked to identify and evaluate the challenges associated with maintaining the engagement of call centre advisers in training a chatbot.

Level 3 answers identified the fact that engaging staff in the training would be more difficult because, once the training is completed, they would be very likely to be made redundant. This might be mitigated by a voluntary redundancy scheme or identifying the staff to be retained as early as possible so that uncertainty would be reduced. Other appropriate issues explored included staff unfamiliarity with the new process. Level 2 answers were often less detailed and included more generic suggestions as to how to motivate staff generally. Level 1 responses often only identified the issue of staff redundancy and did not evaluate the challenge or suggest how it might be overcome.

Task 3

The Sales Department management team has investigated the costs of acquiring and training a chatbot. Candidates were provided with a list, comprising estimates for the cost of the software, redundancy payments and salaries for chatbot training.

The first task asked them to recommend with reasons how the costs should be accounted for in the financial statements for the current year.

Level 3 answers showed good technical knowledge and correctly explained that the cost of the software would be treated in accordance with IAS 38, the software is an intangible asset which will be amortised over its expected life. The salaries could also be an asset generating future economic benefits. The redundancy payments could be recognised as a provision because there is a constructive obligation to pay this to employees facing redundancy. Explanations of the reasons for recommended treatments was well developed, for example often including a discussion of difficulties in identifying the salary costs of the chatbot training. Level 2 answers were less detailed and often less technically accurate, sometimes not treating all the costs correctly but showing some understanding of the issues. Level 1 responses were often very brief, or technically inaccurate.

Candidates were next asked to evaluate the characteristics of debt that would affect its suitability for the financing of the costs.

Level 3 responses addressed this well, for example identifying that debt is cheaper, interest payments a tax deductible expense and will impact Ressett's gearing ratio. They often also pointed out that debt is often secured against specific assets and the software and training costs would not have a resale value or be attractive to a lender as security. Level 2 answers tended to be more generic, presenting a list of characteristics of debt – and often also of equity – without a great deal of reference to the scenario presented by the case study. Level 1 answers correctly identified some debt characteristics but did not evaluate their suitability for financing these costs.

Task 4

The Board has agreed that all requests for technical support will be handled through a chatbot. Customers are currently entitled to 3 months of technical support after making a purchase. The Operations Director has suggested that they could be offered the opportunity to pay for additional support, either by means of a subscription or a charge per query.

Candidates were first asked to recommend with reasons which form Ressett should use to charge customers for additional technical support and the basis on which this should be priced.

Level 3 responses pointed out advantages and disadvantages of each charging basis, for example that a subscription basis could give Ressett a predictable income stream and customers might pay for the service and not use it, but on the other hand payment per query could deter customers for asking for assistance in relation to matters they could easily resolve themselves. Sensible suggestions regarding pricing were made, and many candidates recommended reviewing the services offered by competitors and the basis on which they were charged for. Level 2 answers were often less detailed and tended to select a charging basis and focus on that, rather than presenting balanced pros and cons of each. Level 1 answers identified some issues but did not develop them or make supported recommendations.

Finally, candidates were asked to recommend with reasons the basis for setting transfer prices for technical support that is optimal from the perspective of Ressett as a whole.

Level 3 answers considered a number of possible methods for setting prices and gave a well supported recommendation. They recognised, for example, the impact on marginal cost of the spare capacity of inventory staff, if they have spare time the marginal cost of their time will be zero. They also explored the possibility of establishing a negotiated transfer price. Level 2 answers tended to be less well applied to the specific scenario and to present a list of possible transfer pricing mechanisms with their advantages and disadvantages without reference to the situation under consideration. Level 1 answers were often quite scant and did not go beyond describing some possible methods for setting transfer prices without making a clear recommendation.

Variant 6 Comments on performance

	Designed to test	Core activity
Task 1	Identify and evaluate two ways in which selling older PCs with open-source operating systems would have an impact on Ressett's business model.	A – Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	Identify and evaluate the challenges associated with establishing a project team to offer a recommendation to the Board concerning selling older PCs loaded with open-source operating systems.	B – Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
Task 2	Identify and evaluate the difficulties associated with predicting the cash flows arising from Ressett's sale of older used PCs with open-source operating systems alongside its existing range of products.	A – 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
	Evaluate the difficulties associated with accounting for goodwill in the event that Ressett acquires Geefurb.	E – Explain the financial reporting implications of additions to the group
Task 3	Recommend with reasons the appropriate accounting treatment for the customer complaints.	D – Select appropriate accounting treatments and explain their implications for users of the financial statements
	Evaluate the product risk, product reputation risk and contractual inadequacy risk that could arise from these complaints.	C – Apply the techniques that quantify and present risk to stakeholders
Task 4	Evaluate the arguments for and against comparing any versions of the open-source operating system that we produce against the version that we have supplied to customers and publishing those comparisons.	D – Select and apply suitable tools and techniques for managing risk and uncertainty associated with performance related issues
	Recommend with reasons the treatment of Ressett's improvements to the operating system under the headings of intellectual capital, human capital and social and relationship capital in the integrated report.	E – Explain the implications of Integrated Reporting for the reporting entity and its stakeholders

Task 1

begins by presenting a press article discussing the use of open-source operating systems to enable older PCs to remain operational beyond the expiry dates for proprietary operating systems.

Candidates were asked to identify and evaluate two ways in which selling older PCs with open-source operating systems would have an impact on Ressett's business model.

Most candidates appeared quite comfortable with this task. There were many possible valid answers, level 3 responses were those which answered the question and both identified and evaluated two impacts on Ressett's business model. Poorer responses were often guilty of not evaluating, tending to offer a one-sided argument. Good candidates were able to explain how impacts could occur and often suggested ways of emphasizing the good or limiting any adverse effects.

Nuances of open-source software were not expected to be picked up here, but economic effect, broadening product offer, overlapping or conflicted consumer groups, sustainability and greening were all valid areas for discussion.

Candidates were then asked to identify and evaluate the challenges associated with establishing a project team to offer a recommendation to the Board concerning selling older PCs loaded with open-source operating systems.

The question explicitly guided the response towards a specific task of making a recommendation to the Board on a new aspect of business which may cause friction between existing departments, and which at least involves significant reconciliation of conflicting objectives.

Again level 1 responses tend to focus on theory around project teams rather than the detailed application to the types of problem which might arise and how to resolve them as was asked in the question. Level 3 answers were often very good, with well-argued challenges identified and possible solutions offered. Good answers extracted information from the scenario and applied it well.

Task 2

Moves the scenario forward a month and we consider some of the aspects of open-source operating systems being presented to the Board. Candidates are asked to identify and evaluate the difficulties associated with predicting the cash flows arising from Ressett's sale of older used PCs with open-source operating systems alongside its existing range of products

There was a lot of material available here for discussion. Level 3 candidates were able to identify several areas of difficulty both in inflow of revenue and outflow of costs. There were some good answers highlighting that market definition and customer profile are ill defined with no existing market and it is unknown how much erosion in traditional sales might be caused by the additional product. Poorer responses tended to provide less insight or evaluation.

Candidates were then asked to evaluate the difficulties associated with accounting for goodwill in the event that Ressett acquires Geefurb.

This is a straightforward question which level 3 candidates answered well, difficulties caused by; neither company being listed, difficulties in assessing the value of the transaction in the first instance followed by difficulties in assessing a fair value of what has been acquired. Good candidates suggested means of establishing values for both and followed through principles laid out in IFRS3.

Weaker answers were brief and patchy missing either basic valuation principles or lack of quoted market value on either company.

Task 3

Moves our scenario forward another 6 months and candidates are given an email discussing customer complaints to consider. They are subsequently asked to recommend with reasons the appropriate accounting treatment for the customer complaints.

Again, as in the previous question, this is a relatively straightforward situation with all relevant facts provided to allow level 3 candidates to argue their recommendation for appropriate accounting treatment. Many correct answers gave IAS37 definitions as to why this would fail to require a provision but would be a contingent liability. Some very complete and well-argued answers with firm recommendations.

However, many candidates failed to demonstrate any detailed knowledge of this topic and although some make good, common sense, attempts, quite a few simply drifted here, often failing to make any recommendation. This question was poorly answered.

Candidates were then asked to evaluate the product risk, product reputation risk and contractual inadequacy risk that could arise from these complaints. This was answered well on the whole with level 3 responses giving better depth and reasoned evaluation.

Task 4

Evolves the scenario a further two months and candidates are again provided with evidence of customer complaints arising from a lack of understanding of different business practices being followed in the Open-Source world compared with Proprietary systems. Candidates are asked to evaluate the arguments for and against comparing any versions of the open-source operating system that we produce against the version that we have supplied to customers and publishing those comparisons.

Detailed knowledge of the open-source world is not required here but an understanding of the breakdown in communication, the dangers of making false assumptions and an awareness of the issues of accepting responsibilities for open ended commitments is required.

Generally, level 3 responses gave very good answers highlighting several possible issues for and against comparison. Some were a little one-sided, but there were many varied points that can be made both for and against. Poorer answers tended to give rather simpler insight, often not providing any supporting evidence.

Finally, Candidates were asked to recommend with reasons the treatment of Ressett's improvements to the operating system under the headings of intellectual capital, human capital and social and relationship capital in the integrated report. Again, mostly very reasonable answers for all three capitals, level 3 solutions were fuller with a lot more reasoning given.

Management Level Case Study

November 2025 – February 2026

Marking Guidance

Variant 1

About this marking scheme

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- 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.
- 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.

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Stakeholders	60%
(b)	C	Responsibility	40%
Section 2			
(a)	B	Project constraints	60%
(b)	D	Accounting treatment	40%
Section 3			
(a)	C	TQM	60%
(b)	E	Transfer pricing	40%
Section 4			
(a)	D	Contractual inadequacy risks	40%
(b)	E	Integrated report	60%

SECTION 1

Task (a) Identify with reasons the stakeholders affected by this problem, discussing each stakeholder's power and interest.

Trait			
1 st stakeholder	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Classifies stakeholder	2-3
	Level 3	Classifies stakeholder with justification	4-5
2 nd stakeholder	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Classifies stakeholder	2-3
	Level 3	Classifies stakeholder with justification	4-5
3 rd stakeholder	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies stakeholder	1
	Level 2	Classifies stakeholder	2-3
	Level 3	Classifies stakeholder with justification	4-5
Task (b) Discuss the extent to which the new team leader of the technicians, who refurbish PCs, should be held responsible for this problem.			
Trait			
Arguments for	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies arguments for responsibility	1
	Level 2	Discusses arguments for responsibility	2-3
	Level 3	Discusses arguments for responsibility with justification	4-5
Arguments against	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies arguments against responsibility	1
	Level 2	Discusses arguments against responsibility	2-3
	Level 3	Discusses arguments against responsibility with justification	4-5

SECTION 2

Task (a) Recommend with reasons the matters that Ressett's Board should consider in relation to the constraints of time, cost and quality when organising the project agreed upon during the Board meeting.

Trait			
Time	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes constraint	1
	Level 2	Identifies matters	2-3
	Level 3	Identifies matters with justification	4-5
Cost	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes constraint	1
	Level 2	Identifies matters	2-3
	Level 3	Identifies matters with justification	4-5
Quality	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes constraint	1
	Level 2	Identifies matters	2-3
	Level 3	Identifies matters with justification	4-5
Task (b) Recommend with reasons the accounting treatment for legal claims in relation to PCs sold with data and unauthorised software.			
Trait			
IAS37	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies IAS	1
	Level 2	Distinguishes provisions from contingent liabilities	2-3
	Level 3	Distinguishes provisions from contingent liabilities in context	4-5
Evaluation of difficulties	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Recommends provision or contingent liability	1
	Level 2	Describes appropriate treatment	2-3
	Level 3	Describes appropriate treatment with justification	4-5

SECTION 3

Task (a) Recommend with reasons the ways in which the concepts underlying total quality management (TQM) might be incorporated into the refurbishment of PCs.

Trait			
1 st concept	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines concept	1
	Level 2	Offers recommendation concerning application	2-3
	Level 3	Offers recommendation concerning application with justification	4-5
2 nd concept	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines concept	1
	Level 2	Offers recommendation concerning application	2-3
	Level 3	Offers recommendation concerning application with justification	4-5
3 rd concept	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines concept	1
	Level 2	Offers recommendation concerning application	2-3
	Level 3	Offers recommendation concerning application with justification	4-5

Task (b) Identify and evaluate the difficulties associated with determining the opportunity costs of technician time for setting transfer prices for temporary staff secondments.

Trait			
1 st 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
2 nd 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

SECTION 4

Task (a) Evaluate the impact that the Buying Director's proposal would have on the contractual inadequacy risks associated with Ressett's resale of used PCs.

Trait			
1 st risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates impact on risk	2-3
	Level 3	Evaluates impact on risk with justification	4
2 nd risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates impact on risk	2
	Level 3	Evaluates impact on risk with justification	3
3 rd risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates impact on risk	2
	Level 3	Evaluates impact on risk with justification	3
Task (b) Recommend with reasons the associated disclosures that could be made in Ressett's integrated report in relation to intellectual capital, social and relationship capital and natural capital.			
Trait			
Intellectual capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with explanation	4-5
Social and relationship capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with explanation	4-5
Natural capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosure	2-3
	Level 3	Recommends disclosure with explanation	4-5

Management Level Case Study

November 2025 – February 2026

Marking Guidance

Variant 2

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How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

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

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

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Business model	60%
(b)	B	Features of equity	40%
Section 2			
(a)	B	Effective team	40%
(b)	C	Responsibility centre	60%
Section 3			
(a)	E	Transfer prices	60%
(b)	D	Revenue recognition	40%
Section 4			
(a)	D	Business risks	60%
(b)	E	Integrated report	40%

SECTION 1

Task (a) Recommend with reasons the changes that the proposed consultancy venture would require in Ressett's business model.

Trait			
1 st change	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies change	1
	Level 2	Recommends change	2-3
	Level 3	Recommends change with justification	4
2 nd change	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies change	1
	Level 2	Recommends change	2-3
	Level 3	Recommends change with justification	4
3 rd change	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies change	1
	Level 2	Recommends change	2-3
	Level 3	Recommends change with justification	4
4 th change	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies change	1
	Level 2	Recommends change	2
	Level 3	Recommends change with justification	3

Task (b) Discuss the features of equity (in the form of ordinary shares) that would affect its suitability for the financing of the consultancy venture. **Discuss** the features of equity (in the form of ordinary shares) that would affect its suitability for the financing of the consultancy venture. **Discuss** the features of equity (in the form of ordinary shares) that would affect its suitability for the financing of the consultancy venture.

Trait			
1 st feature	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies feature	1
	Level 2	Discusses feature	2-3
	Level 3	Discusses feature with some justification	4
2 nd feature	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies feature	1
	Level 2	Discusses feature	2
	Level 3	Discusses feature with some justification	3
3 rd feature	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies feature	1
	Level 2	Discusses feature	2
	Level 3	Discusses feature with some justification	3

SECTION 2

Task (a) Identify and evaluate the challenges associated with creating an effective team to provide the consultancy services.

Trait			
1 st 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
2 nd 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
3 rd 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

Task (b) Recommend with reasons whether the consultancy should be established as a cost centre, a profit centre or an investment centre.

Trait			
1 st argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines responsibility centre	1
	Level 2	Recommends type of responsibility centre	2-3
	Level 3	Recommends type of responsibility centre with justification	4-5
2 nd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Develops argument	1
	Level 2	Expands on recommendation	2-3
	Level 3	Expands on recommendation with justification	4-5
3 rd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Develops argument	1
	Level 2	Expands on recommendation	2-3
	Level 3	Expands on recommendation with justification	4-5

SECTION 3

Task (a) Recommend with reasons a suitable strategy for setting transfer prices between the Sales Department and Consultancy Department that will optimise internal trade from Ressett's perspective..

Trait			
1 st issue	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes strategy	1
	Level 2	Recommends strategy	2-3
	Level 3	Recommends strategy with justification	4-5
2 nd issue	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes recommendation further	1
	Level 2	Expands on recommendation	2-3
	Level 3	Expands on recommendation with justification	4-5
3 rd issue	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes recommendation further	1
	Level 2	Expands on recommendation	2-3
	Level 3	Expands on recommendation with justification	4-5

Task (b) Explain how Ressett should recognise the revenue from consultancy sales contracts in its financial statements.

Trait			
IFRS 15	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies IFRS 15	1
	Level 2	Explains scope of IFRS	2-3
	Level 3	Explains scope of IFRS with justification	4
Recognition	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies performance obligations	1-2
	Level 2	Relates recognition to performance obligations	3-4
	Level 3	Relates recognition to performance obligations with justification	5-6

SECTION 4

Task (a) Identify and evaluate the product reputation, commodity price and contractual inadequacy risks associated with the proposed consultancy service.

Trait			
Product reputation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Commodity price	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Contractual inadequacy	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5

Task (b) Recommend with reasons the matters that should be reflected in relation to the proposed consultancy service under natural capital in Ressett's integrated report.

Trait			
1 st matter	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies matter	1
	Level 2	Recommends matter	2-3
	Level 3	Recommends matter with justification	4-5
2 nd matter	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies matter	1
	Level 2	Recommends matter	2-3
	Level 3	Recommends matter with justification	4-5

Management Level Case Study

November 2025 – February 2026

Marking Guidance

Variant 3

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1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.
- If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

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.

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Cash flows	60%
(b)	E	Negotiation	40%
Section 2			
(a)	B	Project team	60%
(b)	A	Bidding v set prices	40%
Section 3			
(a)	C	Responsibility centre	40%
(b)	D	Joint venture	60%
Section 4			
(a)	C	Business risks	40%
(b)	E	Integrated report	60%

SECTION 1

Task (a) Identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of the implementation of the Marketing Director's proposal.

Trait			
1 st difficulty	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Identifies and evaluates difficulty	2-3
	Level 3	Identifies and evaluates difficulty with justification	4-5
2 nd difficulty	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Identifies and evaluates difficulty	2-3
	Level 3	Identifies and evaluates difficulty with justification	4-5
3 rd difficulty	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Identifies and evaluates difficulty	2-3
	Level 3	Identifies and evaluates difficulty with justification	4-5

Task (b) Recommend with reasons the approach that Ressett should take to the negotiation of the terms for the sale of electronic waste to sustainable disposal such as Crushter.

Trait			
1 st recommendation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Offers recommendation	1
	Level 2	Offers recommendation with reasons	2-3
	Level 3	Offers recommendation with reasons and justification	4
2 nd recommendation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Offers recommendation	1
	Level 2	Offers recommendation with reasons	2
	Level 3	Offers recommendation with reasons and justification	3
3 rd recommendation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Offers recommendation	1
	Level 2	Offers recommendation with reasons	2
	Level 3	Offers recommendation with reasons and justification	3

SECTION 2

Task (a) Evaluate the arguments for and against the membership of the proposed project team being restricted to senior managers from the Sales Department.

Trait			
Arguments for	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies arguments	1-2
	Level 2	Evaluates arguments	3-5
	Level 3	Evaluates arguments with justification	6-8
Arguments against	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies arguments	1-2
	Level 2	Evaluates arguments	3-5
	Level 3	Evaluates arguments with justification	6-7
Task (b) Recommend with reasons whether the consultancy should be established as a cost centre, a profit centre or an investment centre.			
Trait			
Advantages	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies advantages	1
	Level 2	Evaluates advantages	2-3
	Level 3	Evaluates advantages with justification	4-5
Disadvantages	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies disadvantages	1
	Level 2	Evaluates disadvantages	2-3
	Level 3	Evaluates disadvantages with justification	4-5

SECTION 3

Task (a) Recommend with reasons whether the proposed “Recycling” responsibility centre within Ressett for the preparation and sale of laptops would be better organised as a cost centre or a profit centre.

Trait			
1 st argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies argument for selection	1
	Level 2	Recommends selection	2-3
	Level 3	Recommends selection with justification	4
2 nd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies argument for selection	1
	Level 2	Recommends selection	2
	Level 3	Recommends selection with justification	3
3 rd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies argument for selection	1
	Level 2	Recommends selection	2
	Level 3	Recommends selection with justification	3

Task (b) Identify and explain the matters that would have to be agreed in establishing the new company so that it might be accounted for as a joint venture in Ressett’s financial statements and explain the accounting implications for Ressett’s financial statements of doing so.

Trait			
Matters	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies matters	1-2
	Level 2	Explains matters	3-5
	Level 3	Explains matters with justification	6-8
Implications	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes accounting implications	1-2
	Level 2	Explains accounting implications	3-5
	Level 3	Explains accounting implications with justification	6-7

SECTION 4

Task (a) Evaluate the product reputation and contractual inadequacy risks that might emerge from the feedback concerning the new recycling scheme.

Trait			
Product reputation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Contractual inadequacy	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Task (b) Recommend with reasons the disclosures that should be made in Ressett's integrated report in relation to the impact of the recycling scheme on Ressett's human capital, social and relationship capital, natural capital.			
Trait			
Human capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5
Social and relationship capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5
Natural capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5

Management Level Case Study

November 2025 – February 2026

Marking Guidance

Variant 4

About this marking scheme

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- An answer which does not address the requirements of the task must be awarded no marks. Markers should mark according to the marking scheme and not their perception of where the passing standard may lie. Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

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

- Once you have selected the level, you will need to choose the mark to apply.
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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Business model	60%
(b)	D	Business risks	40%
Section 2			
(a)	B	Real options	60%
(b)	E	Conflict	40%
Section 3			
(a)	B	Debt	40%
(b)	E	Integrated report	60%
Section 4			
(a)	C	Lifecycle costing	60%
(b)	D	Ratios	40%

SECTION 1

Task (a) Recommend with reasons how Ressett should adjust its business model in response to the shortages of consumables.

Trait			
1 st recommendation (1)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Recommends change	2-3
	Level 3	Recommends change with justification	4
2 nd recommendation (1)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Recommends change	2-3
	Level 3	Recommends change with justification	4
3 rd recommendation (1)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Recommends change	2-3
	Level 3	Recommends change with justification	4
4 th recommendation (1)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Recommends change	2
	Level 3	Recommends change with justification	3

Task (b) Evaluate the impact that shortages of consumables might have for Ressett's product risk, commodity price risk and product reputation risk.

Trait			
1 st risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Evaluates impact	2-3
	Level 3	Evaluates impact with justification	4
2 nd risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Evaluates impact	2
	Level 3	Evaluates impact with justification	3
3 rd risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Evaluates impact	2
	Level 3	Evaluates impact with justification	3

SECTION 2

Task (a) Recommend with reasons the real options that might be created in order to manage the risks associated with investing in the manufacture of printer cartridges.

Trait			
1 st recommendation (2)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes real option	1
	Level 2	Recommends real option	2-3
	Level 3	Recommends real option with justification	4-5
2 nd recommendation (2)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes real option	1
	Level 2	Recommends real option	2-3
	Level 3	Recommends real option with justification	4-5
3 rd recommendation (2)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes real option	1
	Level 2	Recommends real option	2-3
	Level 3	Recommends real option with justification	4-5

Task (b) Recommend with reasons the way in which the Board should resolve the conflict between the Marketing Department and the Sustainability Champion with respect to the introduction of the manufacture of printer cartridges.

Trait			
1 st recommendation (3)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4-5
2 nd recommendation (3)	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4-5

SECTION 3

Task (a) Evaluate the characteristics of debt that would affect its suitability for financing the Marketing Director's proposal..

Trait			
1 st characteristic	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies characteristic	1
	Level 2	Evaluates characteristic	2-3
	Level 3	Evaluates characteristic with justification	4
2 nd characteristic	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies characteristic	1
	Level 2	Evaluates characteristic	2
	Level 3	Evaluates characteristic with justification	3
3 rd characteristic	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies characteristic	1
	Level 2	Evaluates characteristic	2
	Level 3	Evaluates characteristic with justification	3
Task (b) Recommend with reasons the impact that the Marketing Director's proposal should have on manufactured capital, intellectual capital and social and relationship capital in Ressett's integrated report.			
Trait			
Manufactured capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Recommends impact	2-3
	Level 3	Recommends impact with justification	4-5
Intellectual capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Recommends impact	2-3
	Level 3	Recommends impact with justification	4-5
Social and relationship capital	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Recommends impact	2-3
	Level 3	Recommends impact with justification	4-5

SECTION 4

Task (a) Use life-cycle costing principles to **evaluate** the Marketing Director's proposed approach to the sale of printers and ink cartridges

Trait			
1 st issue	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
2 nd issue	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
3 rd issue	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
Task (b) Recommend with reasons the approach that Ressett's Board should take to explaining the impact of the facts described by Heather Munro in relation to the interpretation of Ressett's return on capital employed (ROCE) and gross profit % ratios.			
Trait			
ROCE	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issues	1-2
	Level 2	Offers recommendation	3-4
	Level 3	Offers recommendation with justification	5-6
Gross profit %	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes issues	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4

Management Level Case Study

November 2025 – February 2026

Marking Guidance

Variant 5

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How to use this levels-based marking scheme

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2. Select the level

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

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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	C	Key performance indicators	60%
(b)	B	Allocating calls	40%
Section 2			
(a)	A	Disruptive technology	60%
(b)	C	Engagement	40%
Section 3			
(a)	D	Accounting treatment	60%
(b)	B	Debt	40%
Section 4			
(a)	A	Pricing strategy	40%
(b)	E	Transfer pricing	60%

SECTION 1

Task (a) Recommend with reasons three key performance indicators that could be used by Ressett's Board to track the call centre's performance

Trait			
1 st KPI	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies KPI	1
	Level 2	Recommends KPI with reasons	2-3
	Level 3	Recommends KPI with reasons and justification	4-5
2 nd KPI	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies KPI	1
	Level 2	Recommends KPI with reasons	2-3
	Level 3	Recommends KPI with reasons and justification	4-5
3 rd KPI	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies KPI	1
	Level 2	Recommends KPI with reasons	2-3
	Level 3	Recommends KPI with reasons and justification	4-5
Task (b) Recommend with reasons whether calls should be allocated to advisers on the basis of availability or expertise.			
Trait			
Availability	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes advantages of availability	1
	Level 2	Recommends using availability	2-3
	Level 3	Recommends using availability with justification	4-5
Expertise	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes advantages of expertise	1
	Level 2	Recommends using expertise	2-3
	Level 3	Recommends using expertise with justification	4-5

SECTION 2

Task (a) Recommend with reasons whether or not the Board should view the introduction of a chatbot as a disruptive technology.

Trait			
1 st argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies argument	1
	Level 2	Recommends argument	2-3
	Level 3	Recommends argument with justification	4-5
2 nd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies argument	1
	Level 2	Recommends argument	2-3
	Level 3	Recommends argument with justification	4-5
3 rd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies argument	1
	Level 2	Recommends argument	2-3
	Level 3	Recommends argument with justification	4-5
Task (b) Identify and evaluate the challenges associated with maintaining the engagement of call centre advisers in training a chatbot			
Trait			
1 st challenge	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4
2 nd challenge	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes challenge	1
	Level 2	Evaluates challenge	2
	Level 3	Evaluates challenge with justification	3
3 rd challenge	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes challenge	1
	Level 2	Evaluates challenge	2
	Level 3	Evaluates challenge with justification	3

SECTION 3

Task (a) Recommend with reasons how the costs listed in Dipankar Ghosh's email should be accounted for.

Trait			
Software	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies relevant standard	1
	Level 2	Recommends accounting treatment	2-3
	Level 3	Recommends accounting treatment with justification	4-5
Salaries	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies relevant standard	1
	Level 2	Recommends accounting treatment	2-3
	Level 3	Recommends accounting treatment with justification	4-5
Redundancy	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies relevant standard	1
	Level 2	Recommends accounting treatment	2-3
	Level 3	Recommends accounting treatment with justification	4-5

Task (b) Evaluate the characteristics of debt that would affect its suitability for the financing of the costs listed in Dipankar Ghosh's email.

Trait			
1 st characteristic	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes characteristic	1
	Level 2	Evaluates characteristic	2-3
	Level 3	Evaluates characteristic with justification	4
2 nd characteristic	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes characteristic	1
	Level 2	Evaluates characteristic	2
	Level 3	Evaluates characteristic with justification	3
3 rd characteristic	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes characteristic	1
	Level 2	Evaluates characteristic	2
	Level 3	Evaluates characteristic with justification	3

SECTION 4

Task (a) Recommend with reasons which form Ressett should use to charge customers for additional technical support and recommend with reasons the basis on which your chosen form should be priced.

Trait

1 st strategy	Level	Descriptor	Marks
			No rewardable material
	Level 1	Describes strategy	1
	Level 2	Recommends strategy	2-3
	Level 3	Recommends strategy with some justification	4-5
2 nd strategy	Level	Descriptor	Marks
			No rewardable material
	Level 1	Describes strategy	1
	Level 2	Recommends strategy	2-3
	Level 3	Recommends strategy with some justification	4-5

Task (b) Recommend with reasons the basis for setting transfer prices for technical support that is optimal from the perspective of Ressett as a whole,

Trait

1 st basis	Level	Descriptor	Marks
			No rewardable material
	Level 1	Describes basis	1-2
	Level 2	Describes basis with reasons	3-5
	Level 3	Describes basis with reasons and justification	6-8
2 nd basis	Level	Descriptor	Marks
			No rewardable material
	Level 1	Describes basis	1-2
	Level 2	Describes basis with reasons	3-5
	Level 3	Describes basis with reasons and justification	6-7

Management Level Case Study

November 2025 – February 2026

Marking Guidance

Variant 6

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2. Select the level

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3. Select a mark within the level

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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Business model	40%
(b)	B	Project team	60%
Section 2			
(a)	A	Predicting cash flows	60%
(b)	E	Goodwill	40%
Section 3			
(a)	D	Customer complaints	40%
(b)	C	Business risks	60%
Section 4			
(a)	D	Comparison	60%
(b)	E	Integrated report	40%

SECTION 1

Task (a) Identify and evaluate two ways in which selling older PCs with open-source operating systems would have an impact on Ressett's business model.

Trait			
1 st impact	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Evaluates impact	2-3
	Level 3	Evaluates impact with justification	4-5
2 nd impact	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies impact	1
	Level 2	Evaluates impact	2-3
	Level 3	Evaluates impact with justification	4-5

Task (b) Identify and evaluate the challenges associated with establishing a project team to offer a recommendation to the Board concerning selling older PCs loaded with open-source operating systems.

Trait			
1 st 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
2 nd 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
3 rd 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

SECTION 2

Task (a) Identify and evaluate the difficulties associated with predicting the cash flows arising from Ressett's sale of older used PCs with open-source operating systems alongside its existing range of products.

Trait

	Level	Descriptor	Marks
1 st difficulty		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2 nd difficulty		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
3 rd difficulty		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5

Task (b) Identify and evaluate the challenges associated with maintaining the engagement of call centre advisers in training a chatbot

Trait

	Level	Descriptor	Marks
Valuing investment		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
Valuing assets		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5

SECTION 3

Task (a) Recommend with reasons the appropriate accounting treatment for the customer complaints.

Trait			
1 st argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies IAS 37 issue	1
	Level 2	Applies IAS 37	2-3
	Level 3	Applies IAS 37 with justification	4-5
2 nd argument	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies IAS 37 issue	1
	Level 2	Applies IAS 37	2-3
	Level 3	Applies IAS 37 with justification	4-5
Task (b) Evaluate the product risk, product reputation risk and contractual inadequacy risk that could arise from these complaints.			
Trait			
Product risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Product reputation risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Contractual inadequacy risk	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5

SECTION 4

Task (a) Evaluate the arguments for and against comparing any versions of the open-source operating system that we produce against the version that we have supplied to customers and publishing those comparisons.

Trait

Arguments for	Level	Descriptor	Marks
			No rewardable material
	Level 1	Offers argument	1-2
	Level 2	Develops argument	3-5
	Level 3	Develops argument with justification	6-8
Arguments against	Level	Descriptor	Marks
			No rewardable material
	Level 1	Offers argument	1-2
	Level 2	Develops argument	3-5
	Level 3	Develops argument with justification	6-7

Task (b) Recommend with reasons the treatment of Ressett's improvements to the operating system under the headings of intellectual capital, human capital and social and relationship capital in the integrated report.

Trait

Intellectual capital	Level	Descriptor	Marks
			No rewardable material
	Level 1	Describes treatment	1
	Level 2	Recommends treatment	2-3
	Level 3	Recommends treatment with justification	4
Human capital	Level	Descriptor	Marks
			No rewardable material
	Level 1	Describes treatment	1
	Level 2	Recommends treatment	2
	Level 3	Recommends treatment with justification	3
Social and relationship capital	Level	Descriptor	Marks
			No rewardable material
	Level 1	Describes treatment	1
	Level 2	Recommends treatment	2
	Level 3	Recommends treatment with justification	3