

November 2025 and February 2026
Operational Case Study
CGMA Professional Qualification
Full post exam support materials

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

Pre-seen material

November 2025 and February 2026 Operational 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](#)
- [Marking guidance for variant 5](#)
- [Marking guidance for variant 6](#)

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

Operational Case Study Examination

November 2025 - February 2026

Pre-seen material

SumTrix



Context Statement

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

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

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Your role

You are a Finance Officer working within the Finance Department of SumTrix. You are principally involved in the preparation of management accounting information and providing information to managers to assist with decision making. At times, you are also expected to assist with the preparation of the financial statements and answer queries regarding financial reporting and other financial matters.

Introduction

SumTrix is a company that manufactures and sells freestyle and touring skis (which are specific types of ski). The company also sells ski accessories. SumTrix is based in Reeland, a country in Northern Europe with the R\$ as its currency. Reeland has a strong ski culture.

History of the company

SumTrix was founded 10 years ago by three friends: Elena Ricci, Felix Schmid and Julian Fischer. They met through their love of freestyle skiing (or freestyle riding as it is known in the sport), a ski discipline that incorporates acrobatics. Felix and Julian initially met at university 16 years ago, where they studied engineering. At this time, they both competed in freestyle skiing competitions at a high amateur level. It was at one of these competitions, where Felix and Julian met Elena, a professional freestyle rider.

In 2015, having remained good friends, Felix, Julian and Elena decided to combine their engineering expertise with their love of freestyle skiing to create their own freestyle ski brand that put the rider experience first. Their goal was simple yet ambitious: to create high-quality skis that would elevate performance and improve the experience for freestyle enthusiasts. They named the company SumTrix, combining “Summit” and “Tricks”, evoking a sense of adventure and playfulness while keeping a connection to the mountain.

Operating out of a small workshop in the mountain town of Gornegraten, the friends handmade their first prototypes. Their priority was to craft skis with flexibility and durability that could cater to the demands of freestyle skiing, offering excellent control and smooth landings on jumps, rails and other terrain park features. Julian, also a keen artist, was responsible for the skis’ unique look with his colourful designs. With a focus on craftsmanship and design, the company quickly gained a loyal following among local freestyle riders who loved the skis’ performance and trendy designs.

Over the next few years, SumTrix grew its customer base substantially, capitalising on its growing reputation as a high-quality freestyle ski manufacturer. The original artwork was extremely popular and quickly became a unique selling point of the ski range. SumTrix began to sell skis more widely throughout Europe. Two years ago, the founders decided to capitalise on this growth and expand into the touring ski market. Touring skis are used by skiers who want to explore remote mountain areas away from the groomed pistes.

SumTrix’s range of touring skis was a product of much research and development. The engineering backgrounds of Julian and Felix were invaluable in creating a range of touring skis that were lightweight but strong and reliable in tough off-piste conditions. Building on a strong brand, owing largely to its unique designs and excellent craftsmanship, SumTrix’s touring ski range quickly gained traction in the market.

Current situation

SumTrix manufactures all of its skis at the company's own Production Facility, which is located on the outskirts of Gornegraten, close to the original workshop. Near to the Production Facility are the Goods Inwards Warehouse, the Goods Outwards Warehouse and the Head Office.

SumTrix's Freestyle and Touring ranges each have three different models and each is available in different sizes. Both ranges are sold throughout Europe via a network of retailers and through the company's own website. SumTrix also manufactures Custom skis (freestyle and touring skis designed specifically for an individual skier). All Custom skis are sold through the company's website. SumTrix also sells through its website a small range of ski accessories (currently poles, helmets, goggles and gloves), which are bought in unbranded from trusted suppliers. SumTrix adds its own branding to all of the ski accessories before sale.

The company is still owned by the three founders, Elena, Felix and Julian. The company's latest financial statements for the year ended 30 June 2025 show revenue of R\$14.1 million, a gross margin of 39.7% and a profit before tax margin of 5.7%.

SumTrix's founders are very aware that they operate in a marketplace dominated by a few large companies. Their strategy, therefore, remains to specialise in certain types of skis where they believe they can grow sales. Influencers use SumTrix's freestyle and touring skis and their social media presence has helped fuel demand. Freestyle skis still account for the majority of sales; however, the founders are focused on increasing their share of the touring ski market. Other types of ski are described in the next exhibit.

Article from Skiing Today

Understanding Different Ski Types: A guide

Whether you are an experienced skier or a beginner, to enjoy the mountain to the maximum, it is important to use the correct skis for your skiing style, the mountain terrain and the snow conditions. This short guide explores the main types of skis and their unique features.

All-mountain skis

All-mountain skis are the most popular and versatile. They perform well in different conditions and typically have a medium width, offering good balance and stability as well as agility. They are used by recreational skiers who want an all-round ski without needing specialised equipment.

Powder skis

Powder skis are designed for deep, soft snow. They are wider than all-mountain skis, allowing the skier to glide over the powder. The skis feature a rocker profile, which means the tips and tails of the ski are raised to provide manoeuvrability and prevent the skis sinking too far into the snow.

Carving skis

Carving skis are for skiers who enjoy making precise turns on groomed slopes. These skis are narrower with a pronounced sidecut that helps the skier to turn more easily. The ski edges are designed so that they will grip snow that is icy or hard-packed. They are suited to skiers who want to go fast whilst still in control.

Freestyle skis

Freestyle skis are for skiers (referred to as 'riders') who use ski parks that provide features such as rails and halfpipes and enjoy making jumps incorporating acrobatics. The skis are lightweight and flexible. A twin-tip curving upward at the tip and tail allows skiers to land more easily and to ski backwards. The skis are built for durability as they have to withstand landings and contact with obstacles.

Touring skis

Touring skis are built for off-piste skiing. The skis are lightweight as the skier will often have to make their own way up the mountain. Specialised bindings allow the skier to lift their heel when ascending.

Youth skis

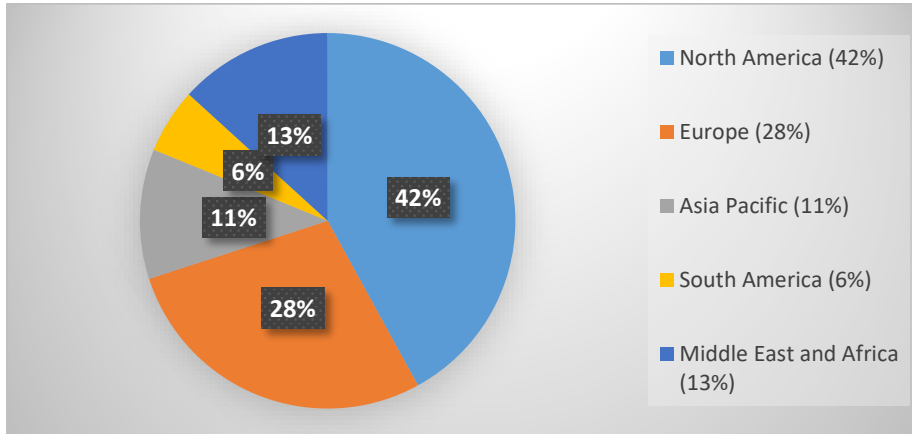
Youth skis are for children. They are shorter in length and have a softer flex to make the skis easier to control. These skis enable young skiers to develop their skills and gain confidence.

The industry

The global market

Based on the R\$, the global ski gear and equipment market was worth around R\$1.79 billion in revenue in 2024 and is growing at around 3.7% per year. Europe (which includes Reeland) is the second largest market with revenue at around R\$0.5 billion. SumTrix has approximately 2.8% of the market in Europe in terms of revenue.

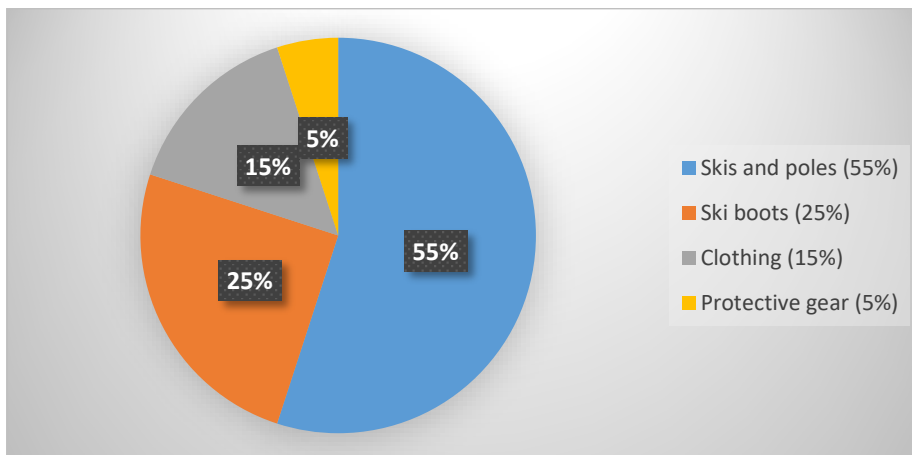
Chart 1: Global ski gear and equipment market: revenue share by region in 2024



The European market

The European market is dominated by a few large companies, with 75% of ski gear and equipment manufactured by five large global brands. The other 25% is made by much smaller brands, such as SumTrix, which typically focus on a type of ski or a specific geographical market.

Chart 2: European ski gear and equipment market: revenue share by product in 2024



Protective gear includes ski helmets, goggles and other protection worn on the mountain. Clothing includes ski jackets, base layers, gloves and all other ski clothing.

Market dynamics for the ski gear and equipment industry

The main drivers of market dynamics are:

Climate change and the drive for sustainability	<ul style="list-style-type: none">• The snowy season is extremely important to the ski industry. As global temperatures rise, it is harder to predict snowfall, resulting in shorter ski seasons. Snowmaking technology is used increasingly to ensure that there is snow to ski on. Resorts are investing in solar and wind energy to power lifts and other facilities on the mountain. Producers are striving to use more sustainable materials.
Technology	<ul style="list-style-type: none">• Innovations in skis and ski gear design as well as in ski resort operations have enhanced performance, safety and user experience for a broader customer base.
Globalisation of winter sports	<ul style="list-style-type: none">• Whilst North America and Europe remain the dominant markets, skiing is now popular in more regions of the world such as Asia Pacific, South America, the Middle East and Africa.
Popularity of skiing and disposable incomes	<ul style="list-style-type: none">• The increasing popularity of skiing as a way to maintain physical fitness has driven growth in the industry. Media coverage has helped promote events such as the Winter Olympics and World Cup competitions, inspiring people to take up the sport. Although still considered a luxury activity, increasing disposable incomes mean more people have the money to invest in winter sports.
Role of influencers and social media	<ul style="list-style-type: none">• Influencers on social media platforms play an important role in promoting skiing as a cool activity, often showcasing the latest brands and equipment.
Expansion of online retail channels	<ul style="list-style-type: none">• Consumers have increased online access to compare brands before purchasing equipment.

Extract from the SumTrix website: Our mission



[Our mission](#) [Our products](#)



Our mission



Here at SumTrix, we are committed to crafting high-performance skis that elevate the rider's or skier's experience while respecting the natural environment.

We believe that protecting the beauty of our natural environment is just as important as the thrill of riding or skiing it. We continually strive to source sustainable materials and to improve the sustainability of our production processes.

Our passion for innovation and adventure drives us to design skis that seamlessly connect the rider or skier with the mountain, empowering freedom and creativity on the slopes.

Our mission is to inspire riders and skiers to push boundaries. Our skis are built for performance and are a testament to our responsibility toward a more sustainable future.

Extract from the SumTrix website: Our products



[Our mission](#)

[Our products](#)



Our products

Our skis

As we continually strive to improve and develop our skis to allow the rider or skier to be more reactive and agile, we are now on the third iteration of our Freestyle range and already working on the second iteration of our Touring range.

All of our Freestyle and Touring skis are lighter than competitor brands, which allows you to ride or ski for longer and our unique artwork allows you to stand out from the crowd. All of our Freestyle and Touring models are available in a range of sizes.

Our Freestyle Range

Freestyle skiing combines skiing with acrobatics and uses skis that are shorter and lighter than all-mountain skis. Our skis are designed and made to ski both forwards and backwards with twin tips to help you land on park terrain features.

Our freestyle skis can be used for:

- Skiing off ramps and performing daring acrobatic feats before landing.
- Mogul skiing where you descend the mountain over man-made bumps in the snow.
- Ski cross, half pipe or slopestyle. This involves skiing an obstacle course set on the snow.

Our models are:

SummitGlide

•The SummitGlide is designed and built for those just starting to venture into freestyle skiing. Smooth and easy, it provides a lighter more forgiving ride. The beginner ski is shorter, more flexible and has a wider waist, the thinnest part of the ski directly under the feet, to make turning the ski easier. SummitGlide is the perfect ski for optimum control and enjoyment.

SummitFlow

•The SummitFlow is an intermediate ski, perfect for riders who are advancing. It offers more versatility for a fluid and playful ride. The SummitFlow is longer, stiffer and has a narrower waist for more stability and control.

SummitForce

•The SummitForce is designed for advanced riders. It delivers power and precision. The SummitForce is longer and stiffer, again, than the intermediate ski, with a still narrower waist for control and stability at high speeds. It can tackle any challenge with confidence.

Our Touring Range

Ski touring involves skiing off-piste where there are no lifts to ascend the mountain. Therefore, you have to make your own way up. The attraction is a love of the outdoors and being able to ski on snow nobody else has skied on.

Our touring skis have specific design features and are lighter than all-mountain skis. The bindings have a heel release to enable you to walk uphill. Ski skins also help you to grip the snow.

Our models are:

PeakGlide	<ul style="list-style-type: none">•The PeakGlide is for those starting to explore the mountain away from the groomed pistes. It has a lightweight build and an easy flex, allowing manoeuvrability in various snow conditions.
PeakRise	<ul style="list-style-type: none">•The PeakRise is a perfect ski for skiers who are ready to explore more challenging mountain terrain. It is adaptable to balance on soft snow surfaces and harder packed snow conditions.
PeakMaster	<ul style="list-style-type: none">•The PeakMaster is an advanced high-performance ski, enabling the advanced skier to push their limits on steep and challenging terrain. It provides excellent float in soft snow and stability in deeper powder conditions. It is precise and strong on descents, allowing the rider to excel in all snow conditions.

Our Custom Skis

We also manufacture custom-built freestyle and touring skis to order. These are skis and designs built to specific individual requirements. Our custom skis are popular with professional and semi-professional riders and skiers as well as some amateurs.

Our Ski Accessories

As well as skis, we offer a wide selection of poles, helmets, goggles and gloves. We are constantly updating our ski accessory range to showcase the best of technology and design.

***Click here for our
online store***

The Directors



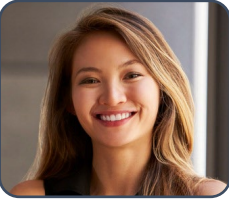
Managing Director: Julian Fischer (co-founder) has overall responsibility for SumTrix. With a degree in engineering and a talent for design, Julian is the creative force behind SumTrix's early innovative ski designs. He has now stepped away from the operational elements of ski development and manufacture to concentrate on leading the business. However, he still enjoys the creative elements of ski design and often works with Daniela Costa, Head of Artwork, on inspirational new designs when he has the time.



Product Development Director: Felix Schmid (co-founder) is the technical mastermind behind SumTrix. With a degree in engineering, specialising in product design and material sciences, he ensures every product puts the rider or skier experience first, whilst conforming to the company's high commitment to the environment. He now heads the company's Product Development Team.



Production Director: Diogo Santos joined SumTrix 3 years ago, bringing over 15 years of experience in operations management. He previously worked for a global outdoor gear manufacturer, scaling production and improving supply chains. At SumTrix, Diogo oversees all of the production and support departments but delegates day-to-day operations to the production heads of department.



Sales & Marketing Director: Elena Ricci (co-founder) uses her knowledge and experience of the ski market to build SumTrix's brand. Elena's connections with professional skiers and riders, coupled with her understanding of ski culture, have helped elevate the brand and current reputation. Elena is keen to use new technologies, including artificial intelligence (AI), in marketing the brand. She leads the company's Sales & Marketing Team.



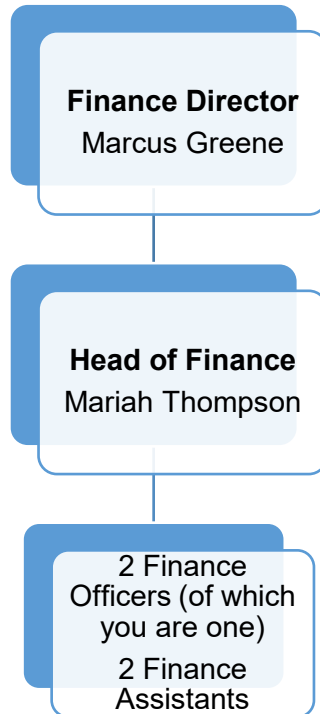
Human Resources Director: Anzu Chen has a background in outdoor sports retail and has worked for several of the larger ski manufacturing brands in various roles before becoming Head of Human Resources for one of them. Relocating to Reeland from a nearby country, also with a strong ski culture, she joined SumTrix 3 years ago.



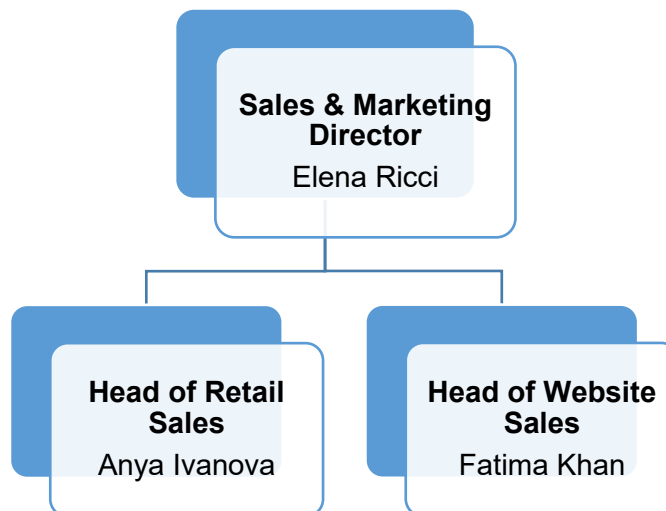
Finance Director: Marcus Greene has overall responsibility for all finance-related issues. He joined SumTrix 2 years ago bringing over a decade of experience in financial management within the outdoor and sporting goods industry. Marcus likes to have daily oversight of financial issues. His expertise has helped the company maintain a healthy cash balance.

Management in key departments

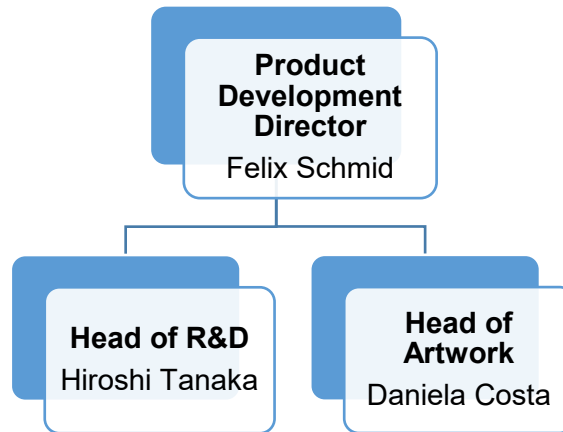
Finance



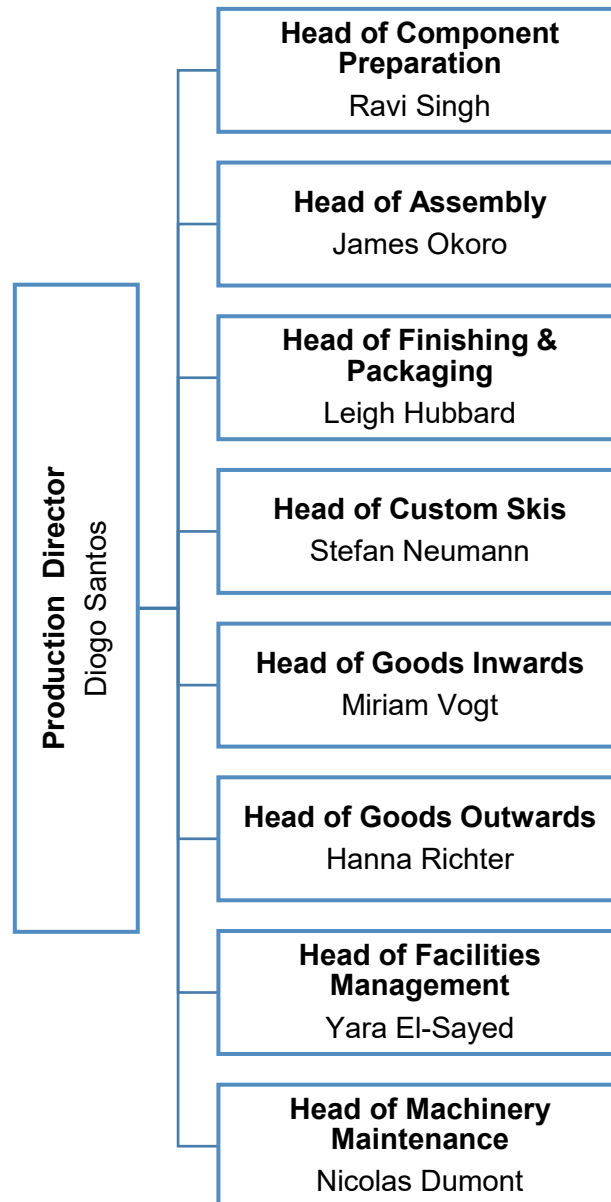
Sales & Marketing



Product Development



Production



Extract from the employee induction manual: What is a ski? Component parts and the materials they are made from

The core: The core is the centre of the ski. It varies in length depending on the ski type. The core determines the manoeuvrability, flexibility, grip and weight of the ski. It is made from laminated wood using different proportions of bamboo and maple depending on the type of ski being made.

Composite reinforcement layers: The core is surrounded, above and below, by layers of composite made from either carbon or fibreglass that gives the ski torsional strength and flexibility. These layers are cut from large sheets. The core and reinforcement layers are assembled and glued together in a press. Rubber is used as a bonding agent between layers, which also absorbs vibration. After pressing, they are machine cut into the shape of the ski.

Base: The ski base is made from polyethylene plastic (P-Tex), which is made by sintering (compressing and heating) polyethylene powder. We buy in sheets of finished base material and then cut them to shape ourselves. A sintered base provides more durability than other methods of manufacture.

Top sheet: The top sheet is the upper layer of the ski and made of nylon plastic. It protects the reinforcement layer and the core. The graphics are fused into the top sheet using heat and special inks.

Sidewalls: The sidewalls, made from ABS (acrylonitrile butadiene styrene) plastic, provide a waterproof seal around the edges of the core. We use a half cap sidewall where the composite layer curves down to meet the base, fully protecting the core. The top sheet comes to the side of the ski where it meets the ABS sidewall. This method provides a good edge grip as well as being lightweight.

Edges: The edge reinforces the ski and is installed between the base and lower composite layer. It is made from stainless steel or carbon.

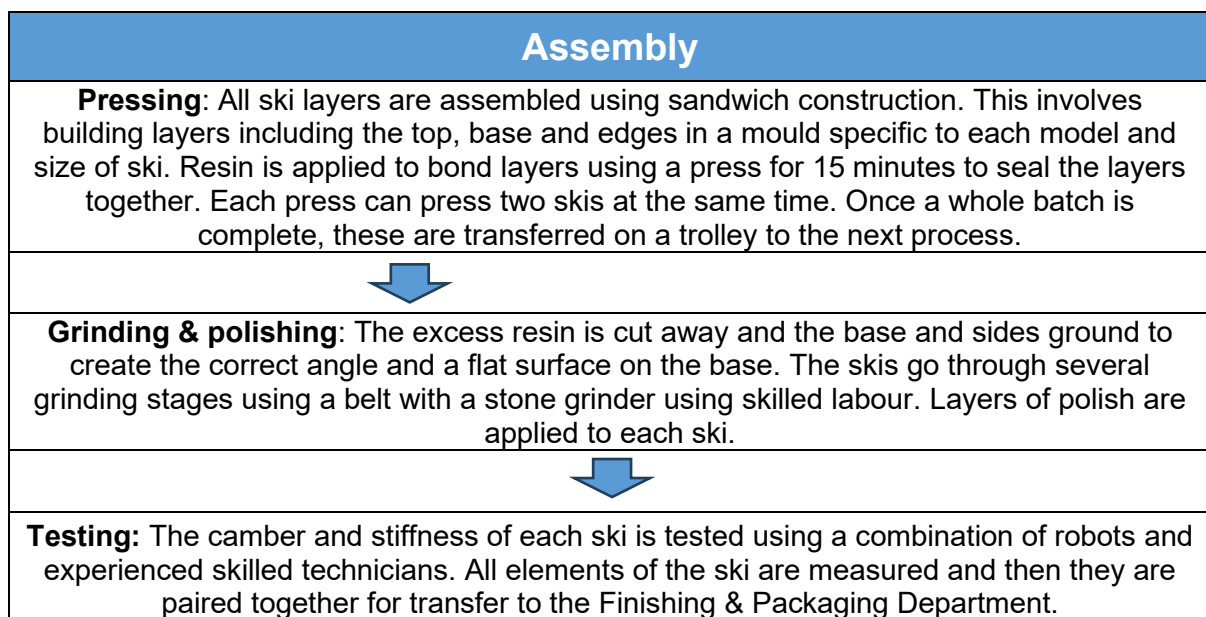
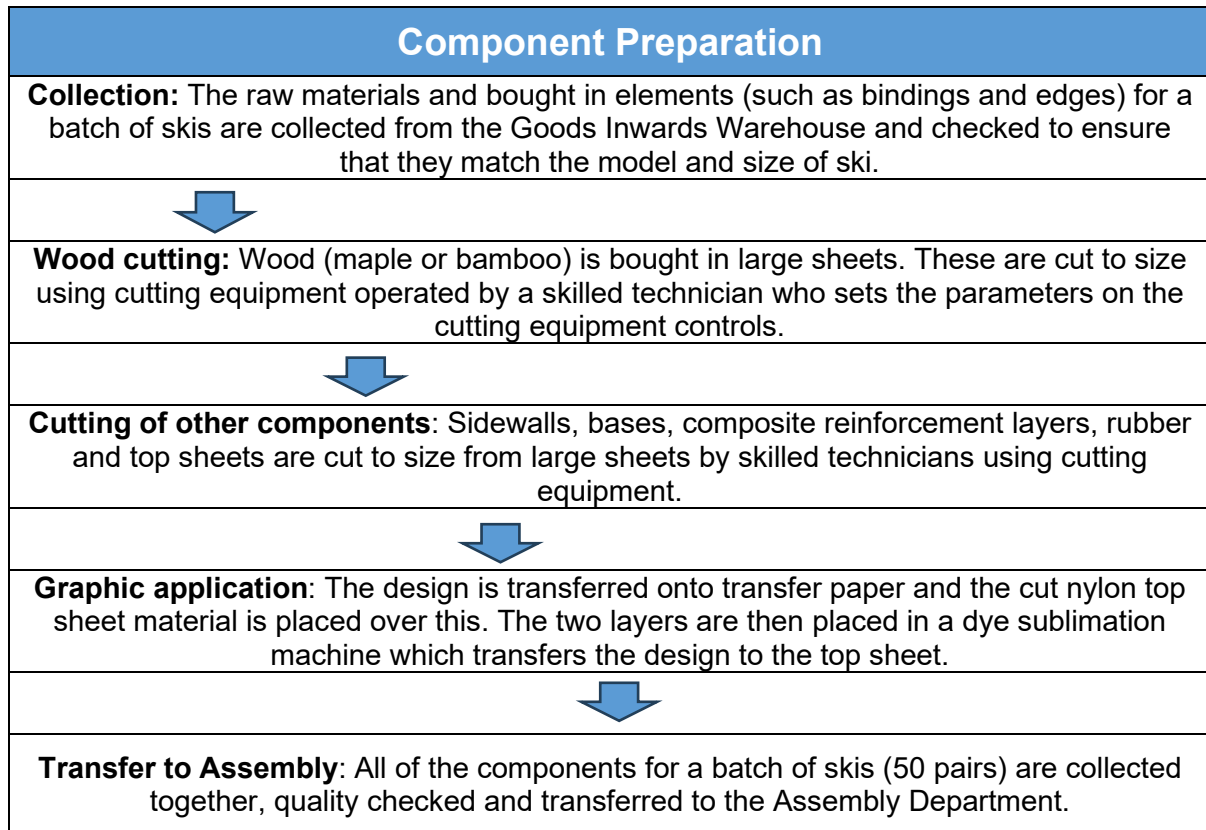
Resin: Epoxy resin is used to hold all parts of the ski together.


Wax: Paraffin-based hydrocarbon waxes are applied to the assembled ski with a hot waxing iron.

Ski skins (Touring only): Ski skins are strips of material that attach to the bottom of touring skis to provide traction when ascending the mountain. These are made from nylon.

Extract from the employee induction manual: The production process for our Freestyle and Touring ranges

Our Freestyle and Touring ranges differ in shape, design and some of the materials used, but the production process is common to both ranges. All our skis are largely handmade with the use of some machinery. Production for each model and size of ski is in batches of 50 pairs of skis at a time.



Finishing & Packaging	
Finishing: Bindings and tip protectors are fixed to the ski and final quality control checks are conducted. Skins are added to all touring skis.	
	
Final finish & packaging: The steel edges are oiled, ski bases are waxed and then each pair of skis is wrapped in polyethylene and boxed ready for shipping to the customer or our retail partner. All boxes of skis are then transported to the Goods Outwards Warehouse.	

Other information about company operations

Production Facility

SumTrix makes its skis at its Production Facility. All skis in the Freestyle and Touring ranges are made in the following production departments:

- **Component Preparation Department:** Raw materials are gathered for the specific batch of ski. All components of the ski are cut to size and graphics are transferred to the ski top sheet.
- **Assembly Department:** This is where the layers of the ski are pressed together and then go through a grinding process to create the correct angles and surface of the ski. Skis are then polished and comprehensive testing takes place.
- **Finishing & Packaging Department:** Bindings and tip protectors are attached. The skis are oiled and waxed before being packaged and boxed ready to ship.

Custom skis are made to order in a separate production department:

- **Custom Department:** Custom skis are built using the same process, but these all take place within a dedicated area of the facility.

The four production departments are supported by four support departments:

- **Goods Inwards Department:** Responsible for purchasing all raw materials, bought in elements and ski accessories as well as raw material inventory management.
- **Goods Outwards Department:** Responsible for finished goods inventory management and despatch of skis and ski accessories to the customer.
- **Facilities Management Department:** Responsible for management and upkeep of all buildings, security and facilities throughout the company.
- **Machinery Maintenance Department:** Responsible for the maintenance of all machinery in the factory.

Purchasing and suppliers

Where possible, SumTrix uses sustainable materials such as recycled plastics and carbon fibre to reduce the impact on the environment and is continuously striving to improve the sustainability of its raw material inputs.

Bamboo is a renewable source of wood, imported from China. Maple is a sustainable tree that captures carbon from the atmosphere. This is imported from North America. Ski edges, binding plates and tip and tail protectors are purchased from local suppliers in Reeland. All other materials are sourced from Reeland and wider Europe.

Accessories (helmets, poles, gloves and goggles) are bought in from several trusted suppliers, which are mostly located in Reeland. The range of accessories is continuously updated as new models of each type of accessory become available. Where an accessory model is

superseded by a new model, it becomes end-of-line and is sold at a discounted price on the website.

Supplier payment terms range from 30 days to 90 days and a number of suppliers offer bulk purchase discounts. SumTrix sometimes takes advantage of these discounts.

Sales markets and sales channels

All types of ski and the full range of accessories (helmets, poles, goggles and gloves) are sold direct to customers throughout Reeland and Europe through the company's website. The website is designed to offer an immersive shopping experience, featuring detailed product descriptions, high-resolution images and customer reviews.

Recently, the company has introduced the use of Artificial Intelligence (AI) to offer advice to potential customers on which ski is best suited to their own style and standard of skiing. Approximately 39% of revenue is from company website sales and there are regular promotions on the website.

All of the Freestyle and Touring range of skis are also sold to a network of carefully selected retailers located within Reeland and Europe. These include specialised ski shops, outdoor gear stores, ski rentals and sporting goods chains. The company generates approximately 61% of revenue in this way, as many customers still prefer an in-store shopping experience when purchasing skis. Accessories and Custom skis are not currently sold through retailers.

SumTrix constantly monitors retailers, visiting them throughout the year, to ensure that the brand's values and product quality are well represented. This includes providing training for retail staff on the unique features of SumTrix skis. The Retail Sales Team has the authority to offer discounts to retail partners. Payment terms given to retailers range from 30 to 60 days.

SumTrix does not currently work with retailers outside of Europe. However, Elena and her team are exploring opportunities for expansion into North America.

Sales and production patterns

Skiing is a seasonal activity as it relies on snowfall and artificial snowmaking. The European ski season typically starts in late November and ends in mid to late April.

Sales fall into a seasonal pattern and are highest before and during the ski season. Custom skis are made to order and production follows this seasonal pattern. However, skis in the Freestyle and Touring ranges are produced all year round.

SumTrix launches new designs for the Freestyle and Touring ranges to the market in October each year ahead of the European ski season. Retailers are often offered the chance to order the new designs earlier than they become available on the website. Ski accessories are available all year round on the website.

Employees

SumTrix had the following number of employees on 30 June 2025:

	Number
Production Facility	82
Goods Inwards Warehouse	10
Good Outwards Warehouse	8
Head Office (including Product Development)	25
Total	125

Financial statements for the year ended 30 June 2025

SumTrix

Statement of profit or loss for the year ended 30 June 2025

	2025 R\$000	2024 R\$000
Revenue	14,132	13,250
Cost of sales	(8,518)	(8,055)
Gross profit	5,614	5,195
Selling, distribution and marketing costs	(3,340)	(3,153)
Administrative expenses	(1,344)	(1,230)
Operating profit	930	812
Finance costs	(120)	(118)
Profit before tax	810	694
Income tax expense	(152)	(134)
Profit for the year	658	560

SumTrix
Statement of financial position at 30 June 2025

	2025 R\$000	2025 R\$000	2024 R\$000	2024 R\$000
ASSETS				
Non-current assets				
Property, plant and equipment		6,235		6,120
Current assets				
Inventory	1,672		1,590	
Trade receivables	1,120		1,023	
Prepayments and other receivables	125		119	
Cash and cash equivalents	290		210	
		3,207		2,942
Total assets		9,442		9,062
EQUITY AND LIABILITIES				
Issued R\$1 equity share capital	600		600	
Retained earnings	4,159		3,707	
Total equity		4,759		4,307
Non-current liabilities				
Borrowings		1,725		1,950
Current liabilities				
Borrowings	225		225	
Trade payables	1,536		1,503	
Accruals and other payables	1,045		943	
Tax liability	152		134	
		2,958		2,805
Total equity and liabilities		9,442		9,062

SumTrix
Statement of cash flows for the year ended 30 June 2025

	2025 R\$000	2025 R\$000
Cash flows from operating activities		
Profit before tax		810
Adjustments		
Depreciation of property, plant and equipment	940	
Finance costs	120	
Profit on disposal of property, plant and equipment	(14)	
		1,046
Movements in working capital		
Increase in inventory	(82)	
Increase in trade and other receivables	(103)	
Increase in trade and other payables	135	
		(50)
Cash generated from operations		1,806
Tax paid		(134)
Interest paid		(120)
Net cash inflow from operating activities		1,552
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,167)	
Proceeds on disposal of property, plant and equipment	126	
Net cash outflow from investing activities		(1,041)
Cash flows from financing activities		
Dividend paid	(206)	
Repayment of borrowings	(225)	
Net cash outflow from financing activities		(431)
Net increase in cash and cash equivalents		80
Cash and cash equivalents at the start of the year		210
Cash and cash equivalents at the end of the year		290

Budget information for the year ending 30 June 2026

Budgeted gross profit

	Freestyle R\$000	Touring R\$000	Custom R\$000	Accessories R\$000	Total R\$000
Sales revenue	9,992	2,691	383	1,970	15,036
Cost of sales	(5,688)	(1,605)	(189)	(1,351)	(8,833)
Gross profit	4,304	1,086	194	619	6,203
Gross profit margin	43.1%	40.4%	50.7%	31.4%	41.3%

Freestyle: sales revenue

	SummitGlide	SummitFlow	SummitForce	Total
Sales volumes (units*):				
Website	1,350	1,800	850	4,000
Retailers	4,050	5,400	2,550	12,000
Total	5,400	7,200	3,400	16,000
Average sales prices:	R\$	R\$	R\$	
Website	579.00	719.00	869.00	
Retailers	492.15	611.15	738.65	
Sales revenue:	R\$000	R\$000	R\$000	R\$000
Website	782	1,294	739	2,815
Retailers	1,993	3,300	1,884	7,177
Total	2,775	4,594	2,623	9,992

Freestyle: cost of sales

	SummitGlide	SummitFlow	SummitForce	Total
Total sales volumes	5,400	7,200	3,400	16,000
Average production cost per unit*:	R\$	R\$	R\$	
Raw materials	79.50	100.10	121.00	
Direct labour	100.00	108.60	121.60	
Variable overhead	27.51	29.91	33.65	
Fixed overhead	110.03	119.59	134.59	
Total cost per unit	317.04	358.20	410.84	
	R\$000	R\$000	R\$000	R\$000
Total cost of sales	1,712	2,579	1,397	5,688

*A unit is a pair of skis.

Freestyle: gross profit

	SummitGlide	SummitFlow	SummitForce
	R\$000	R\$000	R\$000
Sales revenue	2,775	4,594	2,623
Cost of sales	(1,712)	(2,579)	(1,397)
Gross profit	1,063	2,015	1,226
Gross profit margin	38.3%	43.9%	46.7%

Touring: sales revenue

	PeakGlide	PeakRise	PeakMaster	Total
Sales volumes (units*):				
Website	363	525	300	1,188
Retailers	1,087	1,575	900	3,562
Total	1,450	2,100	1,200	4,750
Average sales prices:	R\$	R\$	R\$	
Website	519.00	629.00	799.00	
Retailers	441.15	534.65	679.15	
Sales revenue:	R\$000	R\$000	R\$000	R\$000
Website	188	330	240	758
Retailers	480	842	611	1,933
Total	668	1,172	851	2,691

Touring: cost of sales

	PeakGlide	PeakRise	PeakMaster	Total
Total sales volumes	1,450	2,100	1,200	4,750
Average production cost (per unit*):	R\$	R\$	R\$	
Raw materials	80.90	97.70	121.70	
Direct labour	91.40	100.00	113.00	
Variable overhead	25.12	27.51	31.26	
Fixed overhead	100.46	110.03	125.02	
Total cost per unit	297.88	335.24	390.98	
	R\$000	R\$000	R\$000	R\$000
Total cost of sales	432	704	469	1,605

*A unit is a pair of skis.

Touring: gross profit

	PeakGlide	PeakRise	PeakMaster
	R\$000	R\$000	R\$000
Sales revenue	668	1,172	851
Cost of sales	(432)	(704)	(469)
Gross profit	236	468	382
Gross profit margin	35.3%	39.9%	44.9%

Custom: per unit*

Per unit*	R\$	R\$
Average sales price		1,700.00
Average production cost:		
Design costs	200.00	
Raw materials	225.00	
Direct labour	172.00	
Variable overhead	49.02	
Fixed overhead	196.10	
Average total production cost		(842.12)
Average gross profit		857.88

*A unit is a pair of skis. The budgeted sales volume for Custom skis is 225 units. The sales price and cost per unit varies depending on the amount of work involved.

Accessories:

	Poles	Helmets	Goggles	Gloves	Total
Sales volumes	9,000	4,000	5,000	7,000	25,000
Average per unit:	R\$	R\$	R\$	R\$	
Sales price	30.00	125.00	135.00	75.00	
Buy-in cost	(24.00)	(75.00)	(90.00)	(55.00)	
Gross profit	6.00	50.00	45.00	20.00	
Totals:	R\$000	R\$000	R\$000	R\$000	R\$000
Sales revenue	270	500	675	525	1,970
Buy-in cost	(216)	(300)	(450)	(385)	(1,351)
Gross profit	54	200	225	140	619
Gross profit margin	20.0%	40.0%	33.3%	26.7%	31.4%

Example standard cost card

Freestyle: SummitFlow				
Size: medium				
	Quantity / hours	Standard price / rate R\$	Standard cost R\$	Standard cost R\$
Materials:				
Wood	0.55	16.00	8.80	
Composite/plastic	1.70	24.00	40.80	
Bindings	2.00	12.00	24.00	
Other			22.00	
Packaging			4.50	
Total				100.10
Direct labour:				
Component Preparation	1.60	20.00	32.00	
Assembly	2.80	22.00	61.60	
Finishing & Packaging	0.75	20.00	15.00	
Total				108.60
Variable production overheads:				
Component Preparation	1.60	3.55	5.68	
Assembly	2.80	6.79	19.01	
Finishing & Packaging	0.75	6.96	5.22	
Total				29.91
Fixed production overheads:				
Component Preparation	1.60	14.19	22.70	
Assembly	2.80	27.15	76.02	
Finishing & Packaging	0.75	27.83	20.87	
Total				119.59
Total production cost				358.20

Notes on standards and budget preparation

- Standards are reviewed and updated annually.
- Normal raw material losses are included in the standard cost of each product.
- All direct labour overtime premium is treated as variable production overhead. Idle time is not budgeted for.
- Production overheads are allocated and apportioned to production cost centres and absorbed on a direct labour hour basis. Each production cost centre has its own variable and fixed production overhead absorption rates.
- Budgeted selling prices include an allowance for planned discounts and promotions.
- Budgets are prepared annually on an incremental basis. Operational managers have limited involvement in budget setting.

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The Rise of the Touring Ski Market: A New Adventure for Mountain Lovers

Recently, the touring ski market has been growing. Touring skiing allows skiers to break away from crowded ski resorts and explore the mountain. Participants experience a deep connection with nature and an eagerness for adventure which is far removed from the groomed slopes of traditional skiing. Touring skiing differs from traditional skiing in several key ways. Instead of using chairlifts, skiers use their own strength to ascend mountains, using specialised gear that allows for uphill travel. Upon reaching the top of the mountain, skiers are rewarded with fantastic views, fresh untouched powder and the thrill of the descent.

To get a better understanding of the sport, I spoke with professional touring skier, Scott Tyler, who has been skiing in Europe for the last 8 years. Scott's insights show why this sport is becoming increasingly popular.

"Touring skiing offers such a sense of freedom that's hard to get anywhere else", Scott explains. "It is satisfying to hike up the mountain carrying your gear knowing the rewards that are in store for you at the top. You plan the runs and where you ski, and the risks you take are entirely up to you. The terrain is raw, challenging and mostly untouched. Most skiers who are based in a resort cannot access the parts of the mountain that we use. This makes every day on the mountains a completely unique experience."

Scott goes on to say "The routes are more varied and dynamic, featuring everything from wide-open alpine bowls to runs where we have to negotiate trees as we descend. You learn to read the landscape as your safety and of course your enjoyment of the run depends on doing so correctly."

As this market continues to grow, so does the demand for specific gear that meets the needs of these skiers. Touring skiers often favour lightweight equipment that enables them to ascend the mountain more easily whilst still having confidence in its ability to deliver on downhill performance. This means that the skis must be light but strong enough to handle challenging off-piste conditions. Touring skis are longer, thinner and lighter in design. The bindings enable your heels to be free whilst hiking uphill but can be locked down to ski downhill. They have a wider waist and softer flex for skiing in powder and variable snow conditions.

Of course, safety is a priority. Avalanche safety training is essential and equipment such as beacons, probes and shovels are always in the kit of the backcountry skier. "Preparation is key", Scott comments. "The mountains are sometimes unpredictable, to stay safe out there it is so important to have the right knowledge, skills and equipment to keep you safe."

More skiers are venturing into this sport, enabling them to find the unspoilt beauty of the mountains. For those seeking adventure, the combination of physical challenge, deep connection with nature and incomparable skiing experience make it an alluring option. Whether you're an experienced alpine skier looking for a new buzz or an intermediate skier looking for the next challenge, ski touring offers something extraordinary.

Skiing Today

The five-minute interview by Elena Ricci

Lena Hofer is an accomplished para-skier who has competed for Reeland at two Winter Olympic Games. After a car accident at the age of 24 resulting in life-changing injuries, Lena, a keen skier before the accident, returned to the sport as part of her rehabilitation. Lena has won two gold medals and a silver medal in Slalom and Super-G events. Lena is a passionate advocate for adaptive sports and regularly works with youth organisations to inspire others to compete in this wonderful sport.

Elena: Thank you for joining us! To start, could you tell us how para-skiing differs from conventional skiing?

Lena: Absolutely! Para-skiing is adapted to meet the physical needs of athletes with disabilities. Depending on the skier's needs, we use specialised equipment, whether it's mono-skis, bi-skis or outriggers. There is now even a tri-ski that is a bit like a cycle which is cool. This adaptive equipment allows us to tackle the slopes with control and speed, and of course enjoyment, while accommodating our various physical differences. However, we face many of the same challenges as conventional skiers do, including navigating the terrain and adapting to changing snow and weather conditions. We are not that different really!

Elena: That's fascinating! Could you tell us a little more about the equipment? How does it impact your experience on the slopes?

Lena: Of course! Equipment is tailored specifically to enhance our performance and safety. For instance, mono-skis have a single ski mounted under a seated frame, bi-skis are similar but have two skis under the seat, providing extra stability for those with less upper body strength. Outriggers play a huge role in helping us with balance, speed control and manoeuvrability, especially on turns and steep slopes. Outriggers are a bit like conventional ski poles but with crutch handles and small skis on the end. You can buy specific outriggers depending on whether you are able to stand or if you use mono or bi-skis. Much of the equipment is carefully made and finished to match each skier's individual needs, often with custom seats and bindings to ensure that everything is as comfortable and secure as possible. It is also more expensive!

Elena: How does all that customisation impact your training or competition?

Lena: Customisation is everything in para-skiing! It takes time to get the equipment right, but it's essential for performance. Each part of the ski must fit us perfectly because any discomfort can be distracting or even dangerous at high speeds. Our training often includes equipment adjustments, especially in the pre-season, to make sure everything is correct. This allows us to enter competitions knowing we can focus on the skiing.

Elena: What inspires you the most about para-skiing?

Lena: I think it's the pure sense of freedom and challenge. Para-skiing gives me the ability to push beyond limitations and experience the thrill of speed and control. I love being out in the mountains and tackling new challenges on the slopes – just like any skier!

Manufacturing First

A focus on ski manufacturing: innovations in raw materials

Historically, skis manufacturers have used traditional woods like poplar or ash, combined with fiberglass and metal laminates, to make ski cores. Today, the industry is embracing more sustainable and high-performance alternatives. Bamboo, for instance, is a popular choice due to its renewability, strength and lightness. Additionally, carbon fibre is used to enhance durability and performance while maintaining the skis lightweight features.

Bio-based resins, derived from natural sources such as soybeans or castor oil, are replacing petroleum-based epoxies. These materials reduce the impact on the environment but maintain the structural integrity required for difficult alpine conditions. Recycled materials are also starting to be used and some manufacturers incorporate reclaimed wood, recycled steel for edges and plastics derived from post-consumer waste.

Advanced computer-aided design (CAD) systems are enabling manufacturers to optimise ski shapes and materials with unparalleled precision, improving both performance and production efficiency. Robotic automation is increasingly used for tasks like edge grinding and base tuning, ensuring consistent quality while reducing production times.

3D printing has also entered the supply chain, particularly in the prototyping phase. Suppliers can now make prototypes faster and with less waste, accelerating the development of new designs and technologies. In some cases, 3D printing is even being used for small-scale production runs of ski components, offering consumers tailored solutions while reducing overproduction.

The supply environment for ski accessories, including bindings, poles and boots, is also evolving. Lightweight, durable materials like graphene and magnesium alloys are enhancing performance. 3D printing is being used to create custom-fit ski boots, providing skiers with unprecedented comfort and control.

Smart technologies are transforming skis and accessories. Sensors embedded into ski bindings can now monitor performance metrics such as speed, pressure distribution and terrain adaptation. Ski accessories such as ski goggles have built in UV protection and anti-fog functions. Some of these advancements rely on the supply of electronic components, including microprocessors and advanced batteries, further complicating the supply chain but offering significant consumer benefits.

Tax regime in Reeland

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



Operational 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	3	(a) 48% (b) 36% (c) 16%
2	45	1	3	(a) 36% (b) 32% (c) 32%
3	45	1	2	(a) 48% (b) 52%
4	45	1	3	(a) 48% (b) 16% (c) 36%

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

Today is 1 December 2025. Demand for SumTrix's Touring range is rising.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Lease of new press and production issues

To increase capacity, we are leasing a new press, details of which are included in Schedule 1 (attached).

Please prepare a briefing note for the Senior Management Team (SMT) which explains:

- How the lease in Schedule 1 will be initially recorded and subsequently measured in our financial statements for the year ending 30 June 2026 and in future years.

(sub-task (a) = 48%)

There are only 500 cutting hours available in January for the production of touring skis. We have a contract to supply a ski rental company with 65 pairs of touring skis, which must be met in January. We also have firm orders from other retailers. Meeting all of these retail orders requires more than 500 cutting hours.

I have drawn up Schedule 2 (attached), which, using limiting factor analysis, gives the production plan for January. We could buy in cutting hours, but at an additional cost.

Please include in your briefing note an explanation of:

- The analysis in Schedule 2 and two factors we should consider before going ahead with the proposed production plan.
- How we would determine how much it would be worth paying to buy in the additional cutting hours required to meet full demand.

(sub-task (b) = 36%)

(sub-task (c) = 16%)

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: Details of press lease

- The lease starts on 1 January 2026 when the first lease payment of R\$35,000 and the arrangement fee of R\$9,000 will be paid.
- The press has a useful life of 13 years.
- The initial lease term is 8 years with annual payments of R\$35,000. The lease cannot be cancelled during the initial lease term.
- After 8 years, the lease can be extended for a further 4 years, with lease payments of R\$20,000 payable on 1 January each year. It is expected that this option will be exercised.
- The interest rate implicit in the lease is 11%.
- Ownership of the press will remain with the lessor.

Schedule 2: Production plan**Production plan for January**

	PeakGlide production (pairs)	PeakRise production (pairs)	PeakMaster production (pairs)	Hours required	Hours remaining
Hours available					500.0
Ski rental order	20	30	15	97.0	403.0
Other retailers			75	120.0	283.0
Other retailers		131		196.5	86.5
Other retailers	61			85.4	1.1

Information used for the production plan:

	PeakGlide	PeakRise	PeakMaster
Ski rental company order (pairs)	20	30	15
Firm orders from other retailers (pairs)	91	131	75
Contribution per pair	R\$243.73	R\$308.64	R\$411.39
Number of cutting hours per pair	1.40	1.50	1.60
Contribution per cutting hour	R\$174.09	R\$205.76	R\$257.12

Notes:

- Opening inventory of touring skis at the start of January will be set aside for potential website sales in January.
- We do not plan to hold any closing inventory at the end of January due to the shortage of cutting hours.
- An additional 40.9 hours would be required to meet all demand for touring skis in January.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now February 2026 and you receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Potential suppliers, ski edges and big data

The supplier of the bindings we use in our touring skis has gone out of business. The Purchasing Team is negotiating with two potential new suppliers, Alpine Ace and Frost Force. Included in Schedule 1 (attached) is some information about each supplier.

Please prepare a briefing note for the Purchasing Team that:

- Compares the potential suppliers' approaches to working capital management and explains the implications of this for our business.
(sub-task (a) = 36%)

A new lighter weight material for ski edges will be available from September 2026. This material will make it easier for touring skiers to ascend the mountain and it is expected that ski edge manufacturers will switch to it as soon as possible. We must decide how many ski edges, made from the current material, to order for our production for the next 6 months. If we order too many edges, we will still use them but will have to discount the price of our skis due to the heavier material. If we need more edges than we order, these can be bought in, but at considerable additional cost. I have prepared a payoff table showing the total cost at different levels of demand to help with the decision about order size. This payoff table and associated statistical measures are included in Schedule 2 (attached).

Please prepare a briefing note for the Senior Management Team (SMT), which explains:

- The meaning of the expected values, standard deviations and coefficients of variation shown in Schedule 2. Please also explain how to make the decision about order size using a risk averse and a risk seeking approach.
(sub-task (b) = 32%)

On a final issue, we need to prepare the first draft of the sales budget for our Touring range for the year to 30 June 2027. I would like to explore the use of big data to help us with this.

Please include in your briefing note for the SMT an explanation of:

- The sources and types of big data that could be used to create a sales budget for our Touring range for the year to 30 June 2027.
(sub-task (c) = 32%)

Mariah Thompson
Head of Finance
SumTrix

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

**Schedule 1: Details of potential suppliers**

	Alpine Ace	Frost Force
Sales revenue	R\$48 million	R\$10 million
Revenue growth since last year	3.5%	9.0%
Inventory days	8 days	15 days
Receivable days	30 days	54 days
Payable days	35 days	21 days
Operating cycle	3 days	48 days
Cash balance	R\$3.0 million	R\$0.2 million
Number of customers	25	6

Notes:

- The information is based on financial statements for the year ended 30 June 2025.
- The industry average for receivable days is 35 and for payable days is 32.

Schedule 2: Payoff table and statistical measures based on total cost

Demand (number of edges)	Probability	Order size (number of edges)		
		8,000	9,500	11,000
		R\$	R\$	R\$
8,000	0.35	32,000	48,500	65,000
9,500	0.50	47,000	38,000	54,500
11,000	0.15	62,000	53,000	44,000

Statistical measures

Order size (number of edges)	8,000	9,500	11,000
Expected value of cost in R\$	44,000	43,925	56,600
Standard deviation in R\$	10,173	6,102	7,121
Coefficient of variation	0.231	0.139	0.126

Reference Material

Pre-seen

Write the briefing notes requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now June 2026. At the last Senior Management Team (SMT) meeting, it was decided to launch a ski touring app. The app will be free to download upon purchase of a pair of skis. The app will enable users to track distance, speed and other metrics when skiing. Users will be able to compare their performance with other app users, benchmark themselves against professional skiers and 'race' certain ski segments of the mountain.

Mariah Thompson, Head of Finance, calls you into her office and says:

"We are now planning the implementation of the ski touring app. The SMT wants to know how much this would cost per download. Schedule 1, which I will give you shortly, includes an extract from a recent meeting detailing the costs we know about so far.

Please prepare a briefing note for the SMT that explains:

- How to determine the cost per download of the app based on the information in Schedule 1 and any difficulties we may have in doing so.
(sub-task (a) = 48%)

On another issue, the SMT would like to know more about activity based budgeting. I have suggested that we consider this for setting next year's skilled labour budget for the Assembly Department. Schedule 2, which I will give you shortly, includes some information about the ski assembly process.

Please include in your briefing note an explanation of:

- How an activity based budgeting approach could be used to set the skilled labour budget for the Assembly Department, with reference to each of the processes detailed in Schedule 2."
(sub-task (b) = 52%)

Mariah then sends you Schedule 1 and Schedule 2, which can be found by clicking on the Reference Material button above.

Schedule 1: Extract from minutes of meeting**Item 6: Implementation of ski touring app**

- The app will be developed by Outdoor Innovations in accordance with our specifications. The initial development cost is estimated to be R\$350,000 but could be up to 10% higher or 10% lower than this.
- The app will be hosted by an external company as we do not currently have the relevant in-house expertise. The hosting company will charge us an annual fee of R\$65,000 and a cost per download of R\$1.00.
- Two managers in the Product Development Team will help to develop the specification for the app, liaising between SumTrix and Outdoor Innovations. They are each paid a salary of R\$75,000. It is expected they will spend up to half of their time on app-related work.
- After the initial app development, Outdoor Innovations will be contracted to provide updates and bug fixes as and when required. Outdoor Innovations has quoted R\$7,500 per update and a daily fee of R\$650 for time spent on bug fixes. These costs would be subject to annual inflation.



Schedule 2: The ski assembly process

Process	Details
Pressing	The components for each batch of skis are received into the Assembly Department on trolleys. Skilled employees layer the components two skis at a time in separate moulds and apply resin between each layer. All models and sizes of ski have the same number of layers. Both skis are sealed in a press for 15 minutes and then removed and loaded onto another trolley for transfer to the next process. While the skis are in the press, the employees layer up the next two skis.
Grinding & polishing	For each ski, skilled employees cut away excess resin using a grinding machine and then shape the base and sides of the ski to the correct angle and size. This requires different numbers of grinding stages depending on the model and size of ski. Polish is then applied to each ski. All skis receive the same number of polish layers. The skis are loaded onto a trolley for testing as they are completed until the full batch is ready for the next process.
Testing	For each batch, skilled technicians program a robot to test the camber and stiffness of each ski in the batch, providing detailed measurements. The output from the robot is used by the technician to pair the individual skis so each one of a pair is identical to the other. Each pair is then transferred to the Finishing Department immediately.

Note:

- A batch of skis is 50 pairs or 100 individual skis of a specific model and size.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now October 2026 and you receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Sales variances and website performance

I have just spoken to Elena Ricci, Sales & Marketing Director, who said that concerns were raised in the latest Senior Management Team (SMT) meeting about website sales of touring skis. I have calculated sales variances for both website and retailer sales split over the three types of touring ski for the period July to September 2026 (included in Schedule 1, attached).

Please prepare a briefing note for the SMT that explains:

- What each of the variances in Schedule 1 mean and possible reasons for their occurrence.

(sub-task (a) = 48%)

- Whether splitting the variances into their planning and operational elements could help to assess the performance of each Head of Sales in generating sales of our Touring range.

(sub-task (b) = 16%)

The SMT has also asked that we suggest some key performance indicators (KPIs) to assess the performance of the website in generating sales.

Please include in your briefing note:

- Suggestions of three KPIs to monitor the performance of the website in generating sales. For each KPI, please explain how it would be measured and why it would be appropriate.

(sub-task (c) = 36%)

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: Sales variances for July to September 2026**Website**

	PeakGlide R\$	PeakRise R\$	PeakMaster R\$	Total R\$
Sales price	3,287 A	4,193 A	4,794 A	12,274 A
Sales mix profit	1,751 F	7,622 A	7,357 F	1,486 F
Sales quantity profit	811 A	1,558 A	1,236 A	3,605 A

Retailers

	PeakGlide R\$	PeakRise R\$	PeakMaster R\$	Total R\$
Sales price	10,588 A	15,683 A	14,036 A	40,307 A
Sales mix profit	3,047 F	10,131 A	8,512 F	1,428 F
Sales quantity profit	9,597 F	19,354 F	15,982 F	44,933 F

Notes:

- The SMT authorised an off-season sale during July and August to sell end-of-season lines. The price of all skis on the website and to retailers was reduced by 10%. This was not reflected in the standards.
- During the period, contracts with five new retailers were agreed. These contracts were not reflected in the original budget figures. The new retailers benefitted from the end-of-season discount and ordered skis from the entire Touring range.
- In September, some retailers took up an offer to purchase new design touring skis ahead of the official launch date. The new designs were launched on the website in October.
- An influencer with 2 million followers posted online content promoting PeakMaster skis. The content demonstrated the additional benefits to the skier of the PeakMaster ski compared to the PeakRise ski.
- There was planned maintenance on the website during September that lasted longer than expected. As a result, the website was down for 3 days at the end of September.
- During the last week in August, some inventory of PeakRise skis was damaged. The undamaged inventory was used to fulfil retailer orders. PeakRise skis were shown as out of stock on the website for 2 weeks until inventory was replaced.
- The sales mix profit and sales quantity profit variances are calculated using the individual units method.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Thank you for completing the Operational Case Study Exam.

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

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Operational Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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Click **Next** to start the test.

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1	45	1	3	(a) 32% (b) 36% (c) 32%
2	45	1	2	(a) 48% (b) 52%
3	45	1	2	(a) 52% (b) 48%
4	45	1	2	(a) 48% (b) 52%

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

Today is 1 December 2025. SumTrix is launching a free customer newsletter to increase website sales. Subscribers to the newsletter will receive a discount against the cost of their first purchase of skis.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Decision on discount for newsletter

We need to decide on the level of introductory discount for the customer newsletter. To help with this, I have prepared a what-if analysis based on the SummitFlow ski from the Freestyle range (Table 1, attached). We don't know how many subscribers there will be to the newsletter and how this will impact sales volume. We also don't know the future cost of the bindings that we buy in, which will impact the variable cost per pair of skis. The analysis shows total profit for January to March 2026 at three different post-discount selling prices per pair of skis, sales volumes and variable cost per pair of skis.

Please prepare a briefing note to the Senior Management Team (SMT) that explains:

- The figures in the what-if analysis in Table 1 and what they indicate about the impact on budgeted profit of different discount levels, sales volumes and variable cost per pair of skis.

(sub-task (a) = 32%)

Based on their experience, Elena Ricci, Sales & Marketing Director, has estimated the probability of each of the three possible sales volumes at the three possible levels of discount. Miriam Vogt, Head of Goods Inwards, has estimated the probability of each of the three possible variable costs per pair of skis. I have used both sets of probabilities to calculate expected values, standard deviations and coefficients of variation for each discount level. The probability information is in Table 2 and the other statistical information is in Table 3, both of which are attached.

Please include in your briefing note an explanation of:

- What each of the three statistical measures in Table 3 mean. Please also explain, using the information in the tables, how a risk seeking, a risk averse and a risk neutral decision maker would choose the level of discount, stating the decision made in each case.
(sub-task (b) = 36%)
- Any limitations of the what-if information included in Table 1 and any drawbacks of using expected value to make this decision.
(sub-task (c) = 32%)

Mariah Thompson
Head of Finance
SumTrix

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

Table 1: What-if analysis

Discounted selling price per pair (% discount)	Variable cost per pair	Profit at sales volume		
		475 pairs	550 pairs	675 pairs
	R\$	R\$	R\$	R\$
R\$683 (5%)	239	157,100	190,400	245,900
	244	154,725	187,650	242,525
	251	151,400	183,800	237,800
R\$647 (10%)	239	140,000	170,600	221,600
	244	137,625	167,850	218,225
	251	134,300	164,000	213,500
R\$611 (15%)	239	122,900	150,800	197,300
	244	120,525	148,050	193,925
	251	117,200	144,200	189,200

Notes:

- The current variable cost is R\$239 per pair.
- The analysis assumes all customers subscribe and use the discount.
- Budgeted profit and budgeted volume of sales (assuming no newsletter launch) for SummitFlow for January to March 2026 are R\$162,200 and 450 pairs, respectively.
- Profit is after deduction of budgeted fixed production overheads of R\$53,800.

Table 2: Probability estimates

Variable cost per pair R\$	Probability
239	0.10
244	0.65
251	0.25

Selling price per pair R\$	Sales volume (pairs)	Probability
683	475	0.75
	550	0.20
	675	0.05
647	475	0.15
	550	0.60
	675	0.25
611	475	0.10
	550	0.25
	675	0.65

Table 3: Statistical measures

	Selling price (% discount) per pair		
	R\$683 (5%)	R\$647 (10%)	R\$611 (15%)
Expected value of profit (R\$)	165,075	175,198	174,337
Standard deviation (R\$)	21,963	26,579	26,674
Coefficient of variation	0.13	0.15	0.15

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is 1 February 2026. Website sales are rising. However, some popular ski accessory lines are frequently out of stock on the website, whilst other outdated lines are being discounted to clear surplus inventory. The matter has been raised with Diogo Santos, Production Director.

Mariah Thompson, Head of Finance, calls you into her office and says:

“Diogo Santos wants to investigate the use of the economic order quantity (EOQ) model to manage purchasing of ski accessories. I know we often take advantage of bulk discounts, so I have prepared some initial calculations and notes relating to gloves. These are included in Schedule 1, which I will send you shortly.

Please can you prepare a briefing note for Diogo that explains:

- The information in Schedule 1. Please also explain the assumptions of the EOQ model and whether it would be appropriate to use in relation to ski accessories.

(sub-task (a) = 48%)

We have recently increased the number of suppliers we use for raw materials and accessories. This reflects both the changing nature of the supply environment to reflect new technologies and our commitment to sustainability. Because of this, Diogo wants to consider using a digital costing system.

In your briefing note, please explain:

- The features of a digital costing system and how this could be useful for purchasing and costing within our business.”

(sub-task (b) = 52%)

Mariah sends you Schedule 1, which can be found by clicking on the Reference Material button above.

Schedule 1: Annual cost of inventory (gloves)

Order quantity (pairs of gloves)	Annual purchase cost R\$	Annual holding cost R\$	Annual order cost R\$	Total annual cost R\$
1,452	385,000	1,060	1,060	387,120
1,800	377,300	1,314	856	379,470
2,500	369,600	1,825	616	372,041

Notes:

- An order of 1,452 pairs represents the economic order quantity.
- A 2% bulk purchase discount applies when 1,800 pairs of gloves are purchased.
- A 4% bulk purchase discount applies when 2,500 pairs of gloves are purchased.

Reference Material

Pre-seen

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Reference Material

Pre-seen

It is April 2026. Website sales are better than expected and new retailers are selling SumTrix's ski ranges. A new competitor, based in Reeland, has also entered the freestyle ski market. The Senior Management Team (SMT) is reluctant to make changes to production capacity until the impact of these factors is clear. The SMT is also concerned that SumTrix's commitment to both quality and sustainability, upon which the brand relies, may suffer as production teams work faster to meet increased demand.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Beyond budgeting and KPIs

As you know, we currently use incremental budgeting for all our budgets. The SMT would like to explore the use of beyond budgeting and want to trial this for our production budgets.

I would like you to prepare a briefing note for the SMT that explains:

- The features of beyond budgeting. For each feature, please explain the benefits to SumTrix and how it may help to address the quality and sustainability concerns of the SMT, if used to create budgets for our production departments.

(sub-task (a) = 52%)

Subscribers to the newsletter receive push notifications by email, providing information about promotions and new products, ski news and a link to a series of free instructional ski videos. Elena Ricci, Sales & Marketing Director, has recently asked for funding to expand the instructional ski video series. To help the SMT decide whether this would be worthwhile, Fatima Khan, Head of Website Sales, has produced Schedule 1 (attached). This includes key performance indicators (KPIs) for the newsletter, use of the introductory promotional discount and video customer viewing patterns over the last 3 months, as well as an analysis of unsubscribing patterns.

In your briefing note, please explain:

- What the KPIs and the information in Schedule 1 tell us about customer use of the newsletter, promotional videos and promotional discount.

(sub-task (b) = 48%)

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: KPIs and analysis of unsubscribing patterns

KPI	Calculation	Jan	Feb	Mar
Newsletter retention rate	(Subscribers at end of period – new subscribers during period) ÷ subscribers at start of period	60%	58%	55%
Post-discount* un-subscription rate	Subscribers who unsubscribe in the month after using the discount ÷ subscribers who redeem the discount in the month	45%	52%	61%
Average video completion rate	Number of completed views of videos ÷ total number of views started	30%	28%	15%
Post-purchase video engagement rate	Subscribers who redeem the discount and watch a video ÷ subscribers who redeem the discount	32%	29%	30%
Discount* redemption rate	Subscribers who redeem the discount ÷ total subscribers during period	98%	97%	98%

*This is the introductory discount that subscribers receive when signing up for the newsletter.

Analysis of unsubscribing patterns for March (customers tick all that apply)

Reason for unsubscribing	% ticked
Newsletter content not useful	55
Video content is not useful	65
Newsletters are too frequent	10
Videos are hard to access	5
No longer interested in skiing	30

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is the start of June 2026 and you receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Production Facility break-in and production variances

As you may already know, there was a break-in at the Production Facility on 30 April 2026. The intruders were disturbed by security staff before they stole anything, but some skis and accessory inventory was vandalised, and a press used in the Custom Department was badly damaged. I have noted down the details about the above items in Schedule 1 (attached).

Please prepare a briefing note for the Senior Management Team (SMT) that explains:

- How each of the items listed in Schedule 1 will be treated in the financial statements for the year ending 30 June 2026, including the impact of that treatment on profit or loss for the year.

(sub-task (a) = 48%)

I am in the process of preparing the latest set of production variances for May for the Assembly Department. So far, I have completed the labour and fixed production overhead variances, which are included in Schedule 2 (attached).

Please prepare the accompanying commentary that explains:

- What each of the variances in Schedule 2 mean and possible reasons for their occurrence.

(sub-task (b) = 52%)

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: Damaged ski press and inventory**Ski press**

Details	Financial information
<p>The press was vandalised during the break-in.</p> <p>An engineer reported irreparable damage to one of the two ski moulds in the ski press. The press is still functional; however, it is now only able to press one ski, not two skis at a time. The engineer reported that its remaining useful life is now 6 years. SumTrix intend to continue to use the press.</p>	<p>At the time of the break-in on 30 April 2026, the carrying amount of the press was R\$31,500, with a remaining useful life of 9 years.</p> <p>Research showed that the press could be sold in its present condition for R\$7,200.</p> <p>The press's estimated value in use is R\$21,000.</p> <p>The replacement value of a new press is estimated to be R\$40,000.</p>

Damaged inventory

Details	Financial information
<p>Ten pairs of partially-completed custom skis were damaged in the break-in. The vandals spray painted onto the skis.</p>	<p>It is possible to remove the spray paint using special paint remover treatment, but this will also remove the custom design. There will be a one-off cost of R\$450 to purchase this treatment which will be used on all skis.</p> <p>After this process, the custom designs cannot be re-applied due to poor surface adhesion. Consequently, the skis will be sold at a discount through the website with a plain surface and wax layer.</p> <p>The production cost to date attributed to each partially-completed pair is R\$675.</p> <p>The discounted selling price will be R\$680 per pair.</p>

Schedule 2: Labour and fixed production overhead variances for May – Assembly Department

Variance	R\$
Labour rate	6,042 F
Idle time	550 A
Labour efficiency	14,102 A
Fixed overhead expenditure	3,719 A
Fixed overhead efficiency	17,403 A
Fixed overhead capacity	26,109 F

Notes:

- Budgeted production for May was 1,729 pairs of skis across both Freestyle and Touring ranges.
- Actual production was 1,843 pairs of skis across both Freestyle and Touring ranges.
- During May, semi-skilled labour was recruited on a temporary 1-month contract to help with increased demand and to cover skilled employees who were absent because of sickness. Semi-skilled labour is paid a considerably lower rate per hour than our skilled labour.
- Because of the break-in, during May, Custom Department employees were allowed to use the presses normally used for our Touring range. Assembly Department employees often had to wait around to use a press and had to then re-set it before using it to press touring skis.
- The Reeland Government unexpectedly increased the rate of tax companies' pay on behalf of their employees. This came into effect from 1 May but was not reflected in the budget.
- Two additional supervisors were recruited during May, which was not reflected in the budget.

Reference Material

Pre-seen

Write the briefing note and commentary requested by Mariah Thompson in the box below.

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4	45	1	3	(a) 36% (b) 28% (c) 36%

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Reference Material

Pre-seen

Today is 1 December 2025. SumTrix's Senior Management Team (SMT) has decided to sell the company's Freestyle range in North America through retailers from 1 January 2026.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Forecast of sales for North America

Elena Ricci, Sales & Marketing Director, wants to establish a sales forecast for our Freestyle range in North America. She sent me some information about sales of freestyle skis in North America over the last few years, and I have used this to prepare Chart 1 and Table 1 (attached).

Please prepare a briefing note for the SMT which explains:

- What the three trend lines and the seasonal variations information shown in Chart 1 and Table 1 indicate about sales of freestyle skis in North America. Please also explain how this information could be used to determine a sales volume forecast for our Freestyle range in North America for the first 12 months.
(sub-task (a) = 40%)
- Any factors associated with using this data and this approach that will affect the accuracy of this forecast.
(sub-task (b) = 24%)

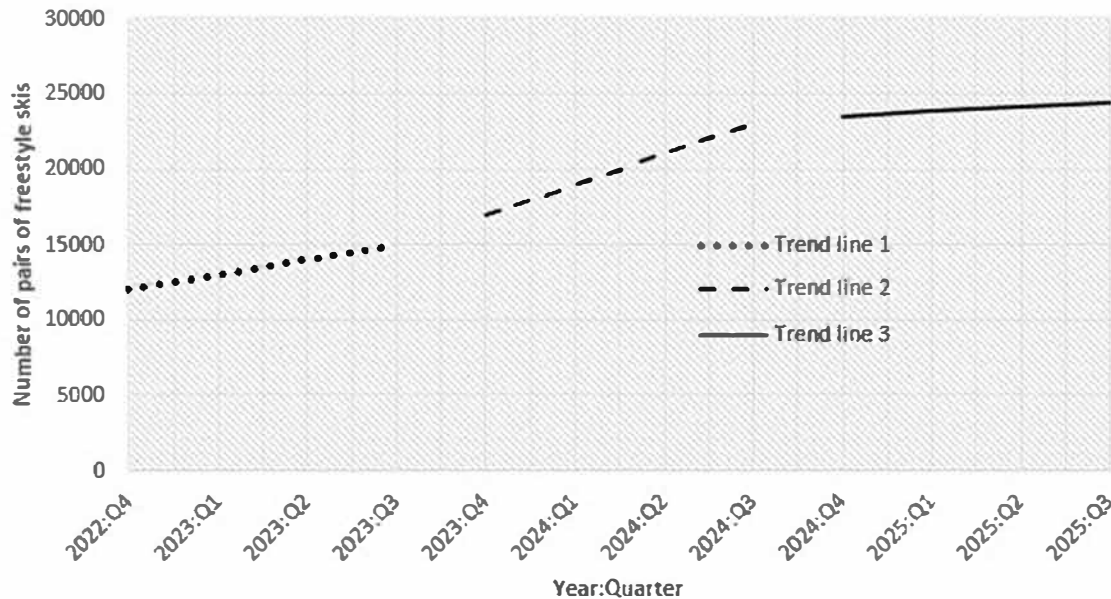
Marcus Greene, Finance Director, has suggested that we should also consider using big data and big data analytics to help us forecast sales revenue in North America.

Please include in your briefing note an explanation of:

- The benefits of using big data and big data analytics for creating our sales revenue forecasts for North America.
(sub-task (c) = 36%)

Mariah Thompson
Head of Finance
SumTrix

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

Chart 1: Trend lines**Notes:**

- Chart 1 shows the last three trend lines for sales of freestyle skis in North America. Q1 for each year is the period January to March.
- Each trend line is based on regression analysis using 4 point moving averages determined from quarterly sales volumes.
- In early 2024, George Bosun, an American, won the Freestyle World Championship. George has a large following on social media.

Table 1: Average seasonal variations

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Average seasonal variations	+30%	-50%	-25%	+45%

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now 6 December 2025 and you receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: North American sales agent and finished goods inventory

We are negotiating with two potential sales agents for the North American market: Gimbals and Vronz. Each sales agent will charge us a commission based on sales value and are offering the following:

Gimbals	Two different options are available: <ul style="list-style-type: none">• Option 1 is a constant commission rate irrespective of sales value.• Option 2 is a commission rate that increases as sales value increases.
Vronz	A constant commission rate irrespective of sales value plus a targeted promotional campaign on our behalf for an additional fee payable by us of R\$300,000.

To help us decide which option and which agent to choose, I have drawn a decision tree based on three different states of the market in North America. This is included in Schedule 1 (attached) together with some notes.

Please prepare a briefing note for the Senior Management Team (SMT) which explains:

- The decision tree and how to use it to make our decision about which agent to choose based on a risk neutral approach to the decision. **(sub-task (a) = 28%)**
- The limitations of using this decision tree and this approach to make our decision. **(sub-task (b) = 40%)**

We will not be holding any inventory of our Freestyle skis in North America. Instead, skis will be despatched straight to North American retailers from our Reeland Goods Outwards Warehouse. There is some debate amongst SMT members on how much inventory should be held to support this new sales channel.

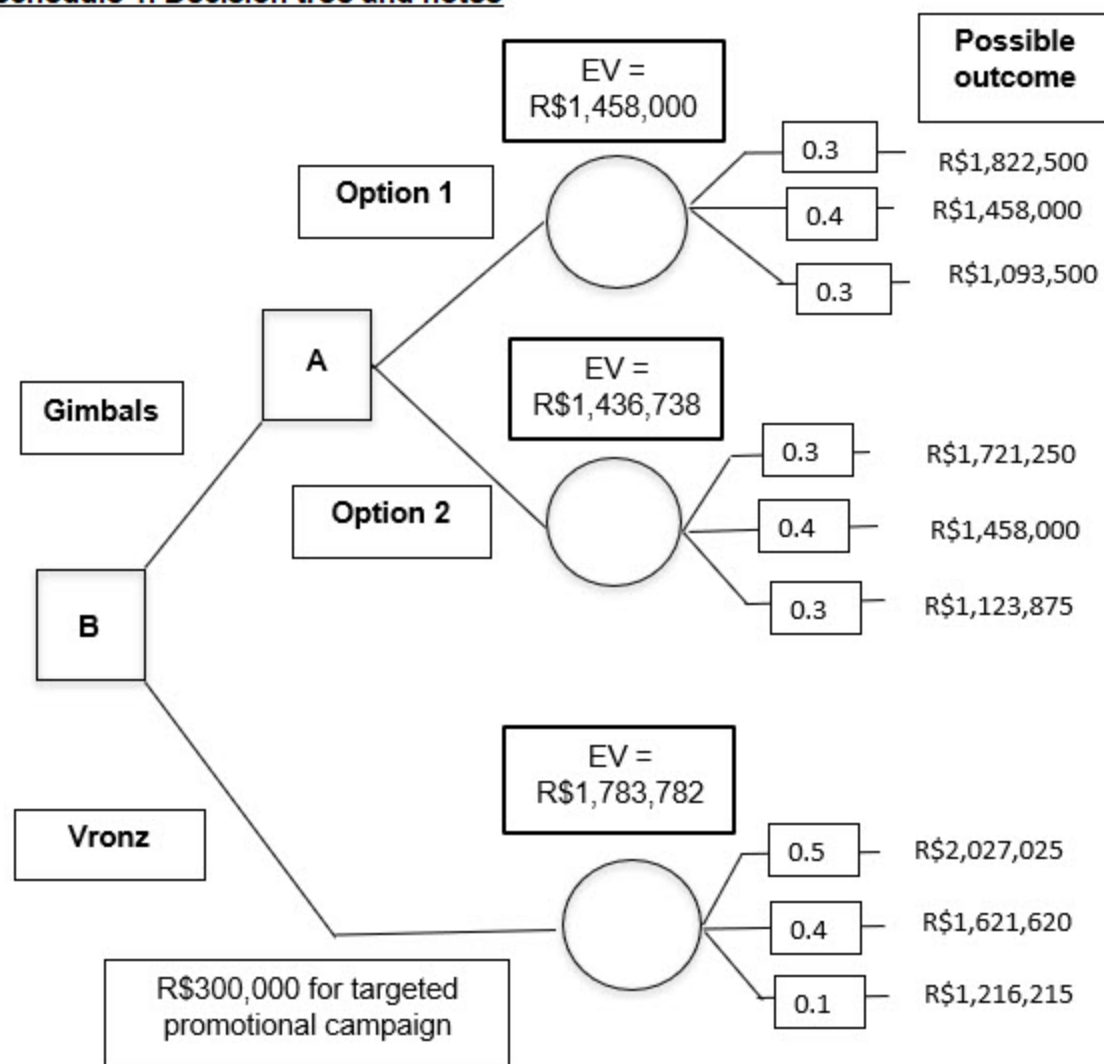
Please include in your briefing note an explanation of:

- The factors that need to be considered when determining the level of finished goods inventory to hold in our Goods Outwards Warehouse to support sales to North America. **(sub-task (c) = 32%)**

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: Decision tree and notes



Notes:

- The possible outcomes are estimated profit from North American sales after commission costs but before the targeted promotional campaign cost for the Vronz option. For each set of three outcomes, the top outcome is where the market is good, the middle outcome is where the market is moderate and the bottom outcome is where the market is poor.
- We expect that the targeted promotional campaign, if undertaken, will increase volumes sold by 10% whether the market is good, moderate or poor. We also expect it to increase the probability of the market being good.
- The probabilities have been estimated internally.

Reference Material

Pre-seen

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Reference Material

Pre-seen

It is now 4 April 2026. Mariah Thompson, Head of Finance, calls you and says:

"Sales of our Freestyle skis in North America have been higher than we originally anticipated and our Production Facility has been working really hard to meet demand. I have just calculated the fixed production overhead variances for March and would like you to write the commentary for the Assembly Department. The variances and some notes are included in Schedule 1, which I will send you shortly.

Julian Fischer, Managing Director, has seen the variances and is a little concerned that fixed production overhead costs seem to be growing. He wants more emphasis to be placed on controlling these costs.

Please prepare content for a report to the Senior Management Team (SMT) which explains:

- The four fixed production overhead variances in Schedule 1 and possible reasons why each variance has occurred. **(sub-task (a) = 36%)**
- The usefulness of these fixed production variances for managing fixed production overheads. **(sub-task (b) = 16%)**

Marcus Greene, Finance Director, has suggested that we consider categorising our production overheads in line with the activity cost hierarchy (unit, batch, product and facility level). Included in Schedule 2 (which I will send you shortly) is information about Assembly Department processes.

Please also prepare content for a report to the SMT which explains:

- What is meant by each category of the activity cost hierarchy in the context of our production of skis. Please include examples of production overheads for each of these categories based on the Assembly Department processes in Schedule 2." **(sub-task (c) = 48%)**

Mariah then sends you Schedule 1 and Schedule 2, which can be found by clicking on the Reference Material button above.

Schedule 1: Fixed production overhead variances for the Assembly Department for March 2026

Fixed production overhead variance	R\$	
Expenditure	21,900	Adverse
Efficiency	6,245	Adverse
Capacity	16,603	Favourable
Total	11,542	Adverse

Notes:

- Fixed production overheads are absorbed based on direct labour hours in the Assembly Department. Production standards and budgets have not been revised since they were originally set for the year.
- To increase capacity, an additional press and a grinding machine were installed. In addition, extra direct employees and a new supervisor were employed at the end of February.
- The additional direct employees were all inexperienced and had to be trained on the job. All employees worked significant overtime in March.
- The actual number of pairs of skis assembled in March was higher than budgeted.

Schedule 2: Assembly processes

Process	Details
Pressing	The components for each batch of skis are received into the Assembly Department on trolleys. Skilled employees layer the components two skis at a time into a mould and apply resin between each layer. Moulds are specific to a model of ski and are replaced every 6 months. Both skis in the mould are sealed in a press for 15 minutes then removed and loaded onto another trolley for transfer to the next process.
Grinding & polishing	For each ski, skilled employees cut away excess resin using a grinding machine and then shape the base and sides of the ski to the correct angle and size. Each model of ski has a different number of grinding stages. Polish is then applied to each ski. All skis receive the same number of polish layers. Each ski is loaded onto a trolley for testing as it is completed until the full batch is ready for the next process.
Testing	For each batch, skilled technicians program a robot to test the camber and stiffness of each ski in the batch, providing detailed measurements. The output from the robot is used by the technician to pair the individual skis so each one of a pair is identical to the other. Each pair is then transferred to the Finishing & Packaging Department immediately.

Notes:

- A batch of skis is 50 pairs of a specific model and size.
- Presses, grinding machines and the robot are powered by electricity.

Reference Material

Pre-seen

Write the report contents requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now September 2026. The Touring range as well as the Freestyle range are now sold to retailers in North America. Website sales will soon be available to customers in North America, who will be able to purchase skis and the full range of accessories. A new North America Distribution Centre is being set up for website sales.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: North America Distribution Centre

We have taken out a bank loan to fund the purchase of our new North America Distribution Centre. To secure this loan, we had all of our property in Reeland valued on 1 July 2026. Table 1 (attached) shows that two of the properties have a higher value and two a lower value compared to the amount we have included in the financial statements. Julian Fischer, Managing Director, has suggested that we reflect the higher values in the financial statements.

Please prepare a briefing note for Julian which explains, with appropriate justification:

- How adopting a revaluation policy for property would affect our financial statements for the year ending 30 June 2027, assuming that the revaluation occurs on 1 July 2026.

(sub-task (a) = 36%)

We have spent R\$240,000 on computer equipment for the new Distribution Centre. The supplier states that the equipment has an economic life of 8 years. However, Marcus Greene, Finance Director, believes that, based on how often we replace equipment in our Reeland operations, we will replace the equipment in 5 years. Julian has suggested that the equipment is depreciated over 8 years because this will spread its cost over more years.

Please include in your briefing note to Julian an explanation, with appropriate justification, of:

- How many years we should depreciate the computer equipment over in our financial statements and how we would subsequently deal with a change in the useful life of the equipment if this were to happen.

(sub-task (b) = 28%)

The new North America Distribution Centre Manager will be responsible for maintaining inventory levels and the security of inventory. They will also be responsible for managing the distribution of all website sales in the region. The Senior Management Team (SMT) has asked for suggestions of key performance indicators (KPIs) that could be used to monitor the performance of the manager.

Please prepare a briefing note for the SMT which suggests:

- Three KPIs, suitable for monitoring the performance of the North America Distribution Centre Manager. For each KPI, please explain how it would be measured and justify why it would be appropriate.

(sub-task (c) = 36%)

Mariah Thompson
Head of Finance
SumTrix

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

Table 1: Information about Reeland property valuations

Reeland property	On 1 July 2026	
	Carrying amount R\$000	Valuation R\$000
Production Facility	925	1,300
Goods Inwards Warehouse	195	250
Goods Outwards Warehouse	340	325
Head Office	260	200
Total	1,720	2,075

Reference Material

Pre-seen

Write the briefing notes requested by Mariah Thompson 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.



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Operational Case Study Exam

Maximum Time Allowed: 3 Hours

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3	45	1	2	(a) 40% (b) 60%
4	45	1	3	(a) 32% (b) 36% (c) 32%

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

Reference Material

Pre-seen

Today is 1 December 2025. SumTrix plans to launch an adapted ski equipment range in April 2026. The range will be manufactured in a new dedicated Adapted Production Facility which has already been set up. The range will initially include a mono-ski, a bi-ski, a tri-ski and outriggers. SumTrix will collaborate with Para Outdoor Pursuits (POP), a large manufacturer of adaptive sports equipment based in Beeland, a neighbouring country to Reeland. POP will supply SumTrix with the non-ski elements of the equipment. The range will be sold through the SumTrix website and by selected retail partners.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Equipment and sales forecast

We have ordered a new ski press for the Adapted Production Facility which won't be delivered until the start of May 2026. Until then, we plan to relocate an old press from the Main Production Facility. We plan to sell this old press soon after the new press is installed.

I have included details about the old press and the new press in Schedule 1 (attached).

Please prepare a briefing note for the Senior Management Team (SMT) that explains:

- How the old press will be treated in our financial statements for the year ending 30 June 2026. **(sub-task (a) = 32%)**
- How the expenditure related to the new press will be treated in our financial statements for the year ending 30 June 2026. **(sub-task (b) = 28%)**

We need to prepare a forecast of sales volume for the Adapted range for the first 3 months, April to June. POP has provided some historic data about sales of adapted winter sports equipment, which is in Schedule 2 (attached).

In your briefing note, please also explain:

- What the information in Schedule 2 tells us about the demand for adapted winter sports equipment and whether it is useful for creating the forecast of sales volume for our new Adapted range. **(sub-task (c) = 40%)**

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: Information about ski presses**Old press**

Carrying amount on 1 July 2025	R\$13,500
Monthly depreciation charge	R\$375

Notes:

- The press will be taken out of service on 15 May 2026.
- Before the press is listed for sale, it must be fully serviced, costing R\$1,200. Our maintenance contractor is scheduled to visit on 1 June 2026, and we will request the service to be done then.
- There is an active secondhand market for ski presses. The press will be advertised for sale from 1 June 2026. Diogo Santos, Production Director, expects that, priced at R\$9,000, it will sell within 6 months of being advertised.

New press

Purchase price	R\$50,400
Due delivery date	1 May 2026
Installation cost	R\$750
Delivery cost	R\$400
Training cost	R\$1,250
Annual maintenance contract cost - paid in advance on 1 May 2026	R\$1,750

Notes:

- The purchase price is inclusive of R\$8,400 import tax.
- Installation will take place on the same day as delivery.
- Staff training will be provided by the supplier and take place in the same week as delivery.
- The expected useful life of the press is 10 years.

Schedule 2: Time series information

This information is based upon the quarterly volume of winter sports equipment sold by POP from January 2022 to September 2025.

Trend line

$$Y = 2,250 + 175Q$$

Key

Y = items of adapted equipment sold in a quarter.

Q = the quarter number (where Q = 1 is January – March 2022).

Average seasonality

January – March	+40%
April – June	-55%
July – September	-45%
October – December	+60%

Note:

- POP supplies adapted outdoor equipment (for skiing, snowboarding, ice skating, ice hockey and winter hiking) throughout Europe and North America.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is 1 April 2026. Production of outriggers begins this week in the Adapted Production Facility. Outriggers, similar to traditional ski poles, are used to help para-skiers balance on the snow. SumTrix will only manufacture the ski bases for the outriggers, which will then be attached to the other elements supplied by Para Outdoor Pursuits (POP). Outriggers will be sold via the SumTrix website from May, but retailers have already made advance orders for delivery in late April.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: New posts and outrigger production

We have just appointed to two new posts on 1-year fixed-term contracts.

The *Ski Production Coordinator (Adapted Range)* will work with the Production Team and will be responsible for liaising with POP about all aspects of supply. They will also be responsible for providing training about the range to SumTrix staff.

The *Ski Sales Coordinator (Adapted Range)* will work with retail partners to resolve queries about the new range. They will visit retail premises to provide training on the unique features of the equipment.

Please prepare a briefing note for the Senior Management Team (SMT) that:

- Suggests four key performance indicators (KPIs), two for each post, to monitor the performance of the new coordinators. Please explain how each KPI will be measured and why it is appropriate.

(sub-task (a) = 48%)

There will be a shortage of labour during April due to sickness. We can delay selling the outriggers through the website, but we will not have sufficient labour hours to make enough ski bases to meet the advance orders of outriggers from our retail partners. POP has offered to supply us with fully assembled outriggers, but it would use its own generic ski bases which do not include our designs or branding. I have prepared an analysis in Schedule 1 (attached) showing the internal production costs and the external purchase costs of the three types of outrigger.

Please draft a separate briefing note for the SMT that explains:

- Schedule 1, and based on the principles of short-term decision making, how we should decide which type of fully assembled outriggers should be purchased from POP in April. Please also explain two possible implications of buying the fully assembled outriggers from POP.

(sub-task (b) = 52%)

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: Internal and external costs of outriggers

Per pair of outriggers	Type of outrigger		
	Stand-up outrigger	Mono-ski outrigger	Bi-ski outrigger
Internal production costs:	R\$	R\$	R\$
Variable cost	65.00	85.00	105.00
Bought-in elements from POP	150.00	160.00	170.00
Fixed cost	52.08	62.50	98.96
Total internal production cost	267.08	307.50	373.96
External purchase cost	300.00	360.00	410.00
	Hours	Hours	Hours
Internal labour hours per pair	0.50	0.60	0.95
Additional external purchase cost per pair based on:	R\$	R\$	R\$
Variable cost	85.00	115.00	135.00
Total internal production cost	32.92	52.50	36.04
Additional external purchase cost per labour hour based on:			
Variable cost	170.00	191.67	142.11
Total production cost	65.84	87.50	37.94

Notes:

- Variable costs consist of raw materials, labour and variable overheads to make the ski bases. Fixed costs include fixed production overheads.
- The external purchase cost is based on the cost to buy a pair of fully assembled outriggers from POP.

Reference Material

Pre-seen

Write the briefing notes requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is 1 October 2026 and Mariah Thompson, Head of Finance, calls you into her office and says:

“As you know, our Adapted range was launched in April. I have prepared the production overhead variances for the Adapted Production Facility for the first quarter of the new financial year in Schedule 1, which I will give to you shortly.

Please prepare a briefing note for the Senior Management Team (SMT) that explains:

- What the variances in Schedule 1 mean and possible reasons for their occurrence.

(sub-task (a) = 40%)

Diogo Santos, Production Director, wants to learn more about activity based costing. I have prepared some information about three of the processes involved in production of our Adapted range in Schedule 2, which I will give to you shortly.

Please can you prepare a briefing note for Diogo that explains:

- How an activity based costing approach would differ from our current method of allocating production overheads and how it could be applied to our Adapted range using the information in Schedule 2.”

(sub-task (b) = 60%)

Mariah sends you Schedule 1 and Schedule 2, which can be found by clicking on the Reference Material button above.

Schedule 1: Fixed production overhead variances – Adapted Production Facility – July to September 2026

Fixed production overhead variance	R\$
Expenditure	7,500 A
Efficiency	15,698 A
Capacity	7,786 F

Production volumes for the period were:

Product	Budget units	Actual units
Mono-ski	18	21
Bi-ski	12	15
Tri-ski	4	3
Outriggers (pairs)	45	62

Notes:

- An additional grinding machine was purchased in July. The manufacturers were called out in August as the machine was malfunctioning and the issue was resolved.
- Some direct employees from other areas of production were transferred to the Adapted Production Facility during August and September to gain experience of the Adapted range. This was not reflected in the original budget.
- The Ski Production Coordinator (Adapted Range) left the company suddenly at the end of July. Their cost was included in the fixed overhead budget. They had not completed all the scheduled training for production employees.
- A new supervisor was appointed in early August.
- Significant unplanned overtime was worked during the whole period to meet additional demand.

Schedule 2: The Adapted range production process**Pressing**

- Layers are assembled with resin into a mould specific to each type and size of ski.
- Skis are pressed in the pressing machine for 15 minutes.
- Each press can press two skis at a time.

Grinding & polishing

- Excess resin is cut away from each ski using a grinding machine.
- Skis are ground and polished. Several grinding stages take place using different grinders until the surface angles are correct. Several layers of polish are applied. Each ski receives the same number of polish layers.
- The camber and stiffness of each ski is tested using robots programmed by technicians.

Assembly

- Skis are attached to the bought in upper components of the equipment by skilled technicians and extensive testing is carried out.
- The equipment is partially disassembled ready for packing.

	Mono-ski	Bi-ski	Tri-ski
Number of skis in product	1	2	3
Labour hours per product	8.1	11.2	14.0
Grinding stages per ski	6	5	4
Number of bought in upper components in product	3	5	6

Notes:

- All adapted ski equipment is made individually to order. All equipment is partially disassembled for transit and reassembled by the customer upon receipt.
- Fixed and variable overheads are absorbed based on a departmental overhead absorption rate based on labour hours.

Reference Material

Pre-seen

Write the briefing notes requested by Mariah Thompson 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

It is 1 November 2026 and you receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Contract, receivables management and rolling budgets

We have been approached by the Reeland Para Ski Association. It has asked us to bid for a contract to supply it with adapted ski equipment. Initial cost information is included in Schedule 1 (attached). I would like you to look again at this based on relevant costing principles.

Please prepare a briefing note for the Senior Management Team (SMT) that explains:

- Why a minimum price may differ from the total cost shown in Schedule 1. Please also justify whether or not each cost item should be included in the bid based on relevant costing principles.
- (sub-task (a) = 32%)**

As sales are rising, we are expanding the number of retail partners we sell to and I have been given details of a new retailer, Alpine Rush, that has applied for credit. Schedule 2 (attached) includes some information about Alpine Rush.

Please include in your briefing note an explanation of:

- The factors we should consider when granting credit and when setting credit limits for Alpine Rush.
- (sub-task (b) = 36%)**

Finally, there is to be a full review of our budgeting approach before the next financial year. The SMT wants to know more about rolling budgets and how these may help improve motivation and control at SumTrix.

Please include in your briefing note an explanation of:

- The features of rolling budgets and how they could improve motivation and control at SumTrix.
- (sub-task (c) = 32%)**

Mariah Thompson
Head of Finance
SumTrix

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

Schedule 1: Cost estimates for Reeland Para Ski Association contract

Note	Cost	R\$
1	Raw materials	747
2	Labour	2,060
3	Variable overheads	587
4	Fixed overheads	10,104
5	Bought in components	11,538
6	Design costs	1,575
	Total	26,611

Notes:

1. The raw materials cost represents standard cost. These materials are already in inventory and are in constant use. The cost to replace them is R\$950.
2. The labour cost is based on the standard average labour cost per hour of R\$21.23 and the standard hours required for each piece of equipment. Workers would be taken from making other skis to work on the bid, resulting in lost contribution of R\$165.80 per hour.
3. The variable overhead cost is based on the standard variable overhead rate per hour for the Adapted Production Facility.
4. The fixed overheads are based on the standard fixed overhead rate per hour for the Adapted Production Facility.
5. The bought in components are based on standard cost. These will be ordered from POP if we win the bid. POP offered to reduce the price of the components by 20% for this bid.
6. The design costs represent the standard cost of a design of R\$225 multiplied by seven (which is the number of pieces of equipment we will have to make). However, all pieces of equipment will have the same design which is based on the team logo. This design is yet to be finalised.

Schedule 2: Information about Alpine Rush

	Alpine Rush	Industry average
Inventory days	70	40
Payables days	54	35
Total revenue	R\$500,000	R\$3.3 million
Average revenue per store	R\$250,000	R\$550,000
Average revenue growth over last 3 years	16%	4%
Cash balance/(overdraft)	R\$(250,000)	R\$300,000
Number of stores	2	6

Notes:

- Alpine Rush sells ski and snowboard gear and was established in 2023.
- The information is based on the financial statements for the year ended 30 June 2025.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Thank you for completing the Operational 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.





Operational 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) 48% (b) 52%
2	45	1	4	(a) 28% (b) 24% (c) 24% (d) 24%
3	45	1	3	(a) 24% (b) 28% (c) 48%
4	45	1	3	(a) 40% (b) 24% (c) 36%

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

Today is 1 December 2025. The Senior Management Team (SMT) has decided to launch a range of SumTrix-branded ski clothing and expand the accessories range. All clothing and accessories will be bought in from a network of suppliers. All products will be available direct to customers through the website but will also soon be sold through third-party retailers. A new Distribution Centre is being set up specifically for clothing and accessories.

You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Digital costing system and new assets

It has been suggested that we invest in a digital costing system for the new Distribution Centre. This would integrate our internal systems (for example, purchasing, sales and inventory management). It would also provide automated external links (for example, with suppliers, retailers and the internet). Table 1 (attached) includes some information about our accessories range now and information about where we anticipate our clothing and accessories ranges will be in 12 months' time, assuming no investment in a digital costing system.

Please prepare a briefing note for the SMT which explains:

- The potential benefits of integrating our internal systems and of having automated external links if we implement a digital costing system for the Distribution Centre, with reference to the information in Table 1.

(sub-task (a) = 48%)

We will be leasing a fleet of forklifts for the new Distribution Centre. Details of this lease are in Table 2 (attached).

Please include in your briefing note an explanation, with appropriate justification, of:

- How the information in Table 2 will be reflected in our financial statements for the year ending 30 June 2026. Please include details of how the lease liability and right-of-use asset will be initially recorded and subsequently measured.

(sub-task (b) = 52%)

Mariah Thompson
Head of Finance
SumTrix

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

Table 1: Information about clothing and accessories, assuming no investment in a digital costing system

	Current position	Expected position in 12 months' time
Number of individual product lines	28	212
Number of third-party retailers selling to	0	34
Number of suppliers	2	22
Average supplier lead time	5 days	15 days
Average time to despatch sales orders	2 days	2 days
Average discount for end-of-line products	50%	60%
Average inventory days	45 days	65 days

Note:

- A product line is a specific model of clothing or accessory. A product becomes end-of-line when a new model is available. When this happens, any inventory of the old model is sold at a discount to normal retail price.

Table 2: Information about the leased forklifts

Lease start date	1 January 2026
Lease arrangement fee paid on 1 December 2025	R\$10,000
Initial lease payment payable on 1 January 2026	R\$25,000
Present value of all fixed lease payments during the lease term (including the initial payment on 1 January 2026)	R\$140,000
Interest rate implicit in the lease	10%
Residual value guarantee amount	R\$80,000
Lease term	5 years
Useful life of the forklifts	8 years
Ownership of the forklifts at the end of the lease term	Lessor
Annual insurance premium for the forklifts payable on 1 January 2026	R\$3,400

Notes:

- It is expected that the value of the forklifts at the end of the lease term will be R\$65,000.
- The forklifts will be delivered on 1 January 2026 and used from that date.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

Today is 10 December 2025. Mariah Thompson, Head of Finance, calls you and says:

"Gavin Wu has recently been appointed as Distribution Centre Senior Manager and is responsible for overseeing its set up and for managing all operational issues such as staffing, purchasing and despatch of goods to customers and retailers. We want Gavin to be involved in preparing the budget for the Distribution Centre.

Please prepare a briefing note for Gavin which explains:

- The importance of preparing budgets for the new Distribution Centre and how these budgets will assist Gavin to manage the new centre.

(sub-task (a) = 28%)

We need to decide on the supplier of ski jackets. Two potential suppliers have been identified, SlopeWear and WarmTech, each offering exclusive 12-month supply contracts. SlopeWear is offering two potential contracts, one of which would require us to fund a specific promotional campaign for its ski jackets.

At this stage, we do not know how the market will react, but the reaction will either be good, moderate or poor. Based on my estimates of the probability of a good, moderate and poor reaction, I have calculated possible profits for each of the three potential contracts. These profits are based on the sales volumes we anticipate for each contract for each market reaction. This is included in Table 1, which I will send you shortly. I have also calculated the expected value, standard deviation and coefficient of variation for each potential contract, as shown in Table 2, which I will also send you shortly.

We have been offered perfect information about how the market will react for a fee of R\$3,000 and so I have also calculated the value of perfect information. This is included in Table 3, which I will also send you shortly.

Please prepare a briefing note for the Senior Management Team (SMT) which explains:

- How the decision about which contract to choose will be made using a risk neutral, risk seeking and risk averse approach, stating the choice under each approach.

(sub-task (b) = 24%)

- The limitations of using these decision approaches and the information used to create Table 1 to make this decision.

(sub-task (c) = 24%)

- The factors to consider when deciding whether to pay R\$3,000 for the perfect information."

(sub-task (d) = 24%)

Mariah sends you Table 1, Table 2 and Table 3, which can be found by clicking on the Reference Material button above.

Table 1: Profit from each supply contract

Market reaction	Probability	SlopeWear		WarmTech
		Contract 1 R\$	Contract 2 R\$	Contract 3 R\$
Good	0.2	128,000	117,000	84,000
Moderate	0.4	74,000	84,000	66,000
Poor	0.4	32,000	50,000	54,000

Note:

- Profit figures for Contract 1 are after promotional campaign costs.

Table 2: Decision-making information

	Contract 1 R\$	Contract 2 R\$	Contract 3 R\$
Expected value	68,000	77,000	64,800
Standard deviation	35,395	25,124	10,998
Coefficient of variation	0.52	0.33	0.17

Table 3: The value of perfect information

	R\$
The value of perfect information*	3,800

*This is before payment of the R\$3,000 fee.

Reference Material

Pre-seen

Write the briefing notes requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now early January 2026. You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: What-if analysis and inventory ordering policy

The new expanded clothing and accessories range will soon be available on the website and to retailers. The budget for the whole clothing and accessories range for the period January to June 2026 has now been drafted. The Senior Management Team (SMT) is considering two alternative options to increase sales volumes above those assumed in the draft budget. Option 1 is to decrease the average selling price by 4% and option 2 is to spend R\$200,000 on additional promotion. I have prepared a what-if analysis (Table 1 attached) based on my assessment of how each of these options would impact sales volumes and fixed costs and the resulting sales revenue, contribution and profit.

Please prepare a briefing note for the SMT which explains:

- The impacts of option 1 and option 2 on budgeted revenue, contribution and profit for the clothing and accessories range, with reference to Table 1. **(sub-task (a) = 24%)**
- The factors we should consider before using this what-if analysis to decide which option to implement. **(sub-task (b) = 28%)**

It has been suggested by Gavin Wu, Distribution Centre Senior Manager, that we use the economic order quantity (EOQ) model for ordering each product line in the clothing and accessories range. Our current policy is to order the same amount every 8 weeks. Chart 1 (attached) shows our inventory level of ski helmets since the start of July 2025.

Please include in your briefing note an explanation of:

- What Chart 1 shows, and the suitability of using the EOQ model for ordering ski helmets and other product lines in the expanded clothing and accessory range. **(sub-task (c) = 48%)**

Mariah Thompson
Head of Finance
SumTrix

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

Table 1: What-if analysis on the clothing and accessories budget for the period January to June 2026

	Draft budget R\$000	Option 1: Decrease average selling price by 4%		Option 2: Increase promotional spend by R\$200,000	
		Revised budget R\$000	Impact %	Revised budget R\$000	Impact %
Sales revenue	2,700	2,851	+5.6	3,024	+12.0
Variable cost*	(1,200)	(1,320)	+10.0	(1,344)	+12.0
Contribution	1,500	1,531	+2.1	1,680	+12.0
Fixed cost	(960)	(960)	+0.0	(1,160)	+20.8
Profit	540	571	+5.7	520	-3.7

*It is assumed that average variable cost per unit will not change.

Chart 1: Inventory of ski helmets based on current ordering policy**Notes:**

- The current ordering policy for accessory items is for a fixed quantity every 8 weeks. Orders are placed with the supplier 2 weeks before delivery because of a 2-week lead time.
- Week 1 is the first week of July 2025.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now May 2026. The new clothing range was launched on the website on 1 February 2026. Whilst the clothing items in the range are predominately for skiing, they are also marketed as all-purpose cold weather items.

Mariah Thompson, Head of Finance, calls you and says:

“The Senior Management Team (SMT) has asked for a report on website sales for the new clothing range for the first 3 months. I would like you to complete the section for ski jackets (of which there are three models: Felix, Freddy and Franz). The relevant sales variances and associated notes are included in Table 1, which I will send you shortly.

Please prepare content for a report to the SMT which explains:

- What the variances in Table 1 mean and possible reasons for their occurrence.

(sub-task (a) = 40%)

Given the size of the price variance for Felix, it has been suggested that this is split into its planning and operational elements.

Please include in the content for the report to the SMT an explanation of:

- Whether it would be beneficial to split the Felix sales price variance into its planning and operational elements and any possible problems we would face when doing so.

(sub-task (b) = 24%)

Elena Ricci, Sales & Marketing Director, has been working closely with an external marketing consultant to develop a digital marketing strategy for the new clothing and accessories range. This includes the use of social media and email marketing. All social media posts and emails will include embedded links to our website. She has asked for suggestions for key performance indicators (KPIs) to monitor this.

Please prepare a briefing note for the SMT which includes suggestions for:

- Three KPIs that could be used to monitor the success of our digital marketing, explaining how each KPI would be measured and justifying why each would be appropriate.”

(sub-task (c) = 36%)

Mariah then sends you Table 1, which can be found by clicking on the Reference Material button above.

Table 1: Sales variances for website sales of ski jackets for February to April 2026

Sales variance	Felix R\$	Freddy R\$	Franz R\$	Total R\$
Price	6,750 A	2,400 A	875 F	8,275 A
Mix profit	425 A	166 A	2,203 F	1,612 F
Quantity profit				4,387 F

Notes:

- The sales mix and quantity profit variances are calculated using the weighted average method. The standard selling prices and gross profits per unit are as follows:

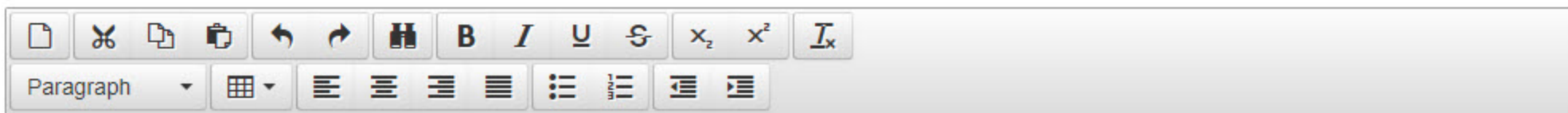
	Selling price R\$	Gross profit per unit R\$
Felix	180.00	80.00
Freddy	225.00	100.00
Franz	300.00	150.00
Weighted average		97.50

- In March and April, there was a special discount on the website if customers ordered two or more items and spent over R\$250. This was not planned at the time the standard selling price was set.
- During February, a major competitor launched a ski jacket similar to Felix at a lower price than us. As a result, Elena Ricci, Sales & Marketing Director, authorised a reduction in the selling price of Felix on the website. This has not been reflected in the standard.
- In March, Elena engaged a celebrity to endorse our Franz ski jacket on social media. To tie in with this, a new Franz design was launched, which was sold at a higher price than the normal Franz retail price. This was not reflected in the standard.
- Throughout large parts of Europe, average temperatures in April were considerably lower than normal for the time of year.

Reference Material

Pre-seen

Write the report content and briefing note requested by Mariah Thompson in the box below.



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Thank you for completing the Operational Case Study Exam.

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Operational Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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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) 64% (b) 36%
2	45	1	3	(a) 36% (b) 24% (c) 40%
3	45	1	3	(a) 32% (b) 40% (c) 28%
4	45	1	3	(a) 36% (b) 28% (c) 36%

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

Today is 1 December 2025. You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Custom Department variances and KPI dashboard

The Senior Management Team (SMT) has asked for a report on some of the variances and KPIs for the Custom Department for the 5 months to November 2025. Table 1 (attached) includes the relevant variances and Table 2 (attached) shows the key performance indicator (KPI) dashboard for the department for the period. Stefan Neumann, Head of Custom Skis, has told me:

1. Due to lower than expected production, overtime premiums paid were less than budgeted across the period.
2. Solar panels on the Production Facility roof were upgraded in August. This upgrade was not planned. We pay less for self-generated power than for power purchased from the national grid.
3. Two junior direct employees left the department in August and were replaced by direct employees who were more experienced in ski production.
4. Also in August, a competitor of ours launched its own custom ski service. To combat this, we introduced an unplanned discount on custom skis for the month of September.
5. A new type of composite was purchased and used in the production of Custom skis from September. This new composite is thicker, but more malleable than the previous type of composite and therefore less layers are needed to reinforce the ski. However, this composite does need a longer pressing time and the skis take longer to grind after pressing. Before the new composite was used for actual production, every direct employee received training to ensure that they knew how to work with the new material.

Please prepare a report to the SMT which explains:

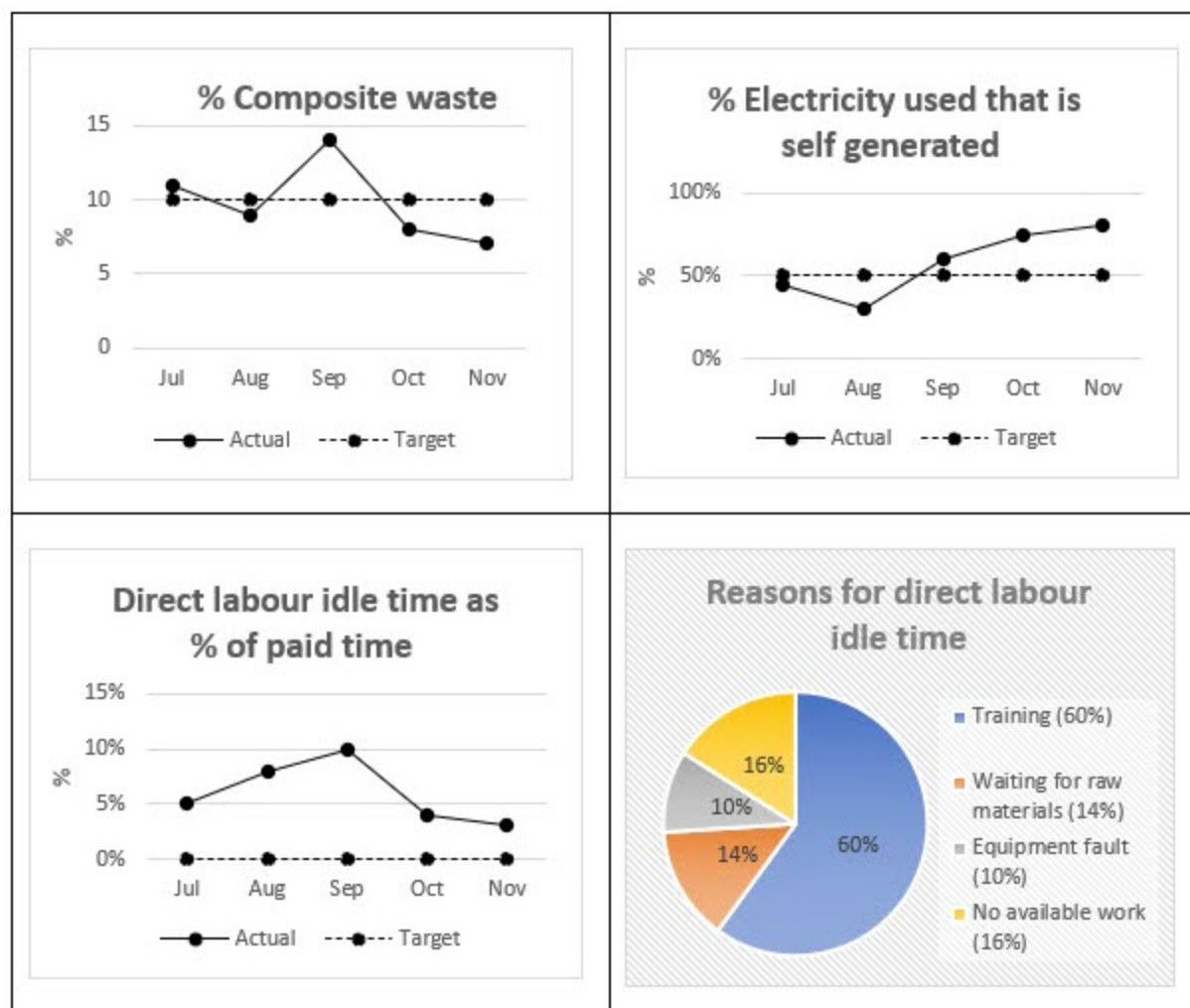
- What each of the variances shown in Table 1 means and possible reasons for each variance, based on what Stefan has told me.
(sub-task (a) = 64%)
- For each of the KPI measures in the dashboard in Table 2, why it is appropriate to track this and what it indicates about the performance of the Custom Department for the 5 months to 30 November 2025.
(sub-task (b) = 36%)

Mariah Thompson
Head of Finance
SumTrix

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

Table 1: Variances for the Custom Department for the 5 months to November 2025

Variance	R\$	
Sales price	4,000	Adverse
Sales volume	12,868	Adverse
Composite raw material price	1,024	Adverse
Composite raw material usage	825	Favourable
Direct labour rate	1,960	Adverse
Direct labour idle time	637	Adverse
Direct labour efficiency	680	Adverse
Variable production overhead expenditure	817	Favourable
Variable production overhead efficiency	375	Adverse

Table 2: KPI dashboard for the Custom Department for the 5 months to November 2025

Reference Material

Pre-seen

Write the report requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now 7 December 2025. You receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Absorption costing and one-off event

The management accounts for November are to be discussed at the next Senior Management Team (SMT) meeting. The summary statement of gross profit is included in Table 1 (attached). Julian Fischer, Managing Director, has read an article in a management magazine about marginal and absorption costing. He has asked whether the management accounts would be easier to understand if marginal costing was used, as he, along with others in the SMT, always struggles to understand what the over- or under-absorption adjustment means.

Please prepare a briefing note for the SMT which explains:

- The under-absorption adjustment in the statement of gross profit in Table 1 and how the statement would be different if a marginal costing approach had been used in November. **(sub-task (a) = 36%)**
- The arguments for and against using marginal costing rather than absorption costing for our Production Facility. **(sub-task (b) = 24%)**

To boost sales and in particular to promote our Custom skis, Elena Ricci, Sales & Marketing Director, has been planning a one-off event to be held in January called 'SumTrix Live'. This event will include a live display of freestyle skills. The SMT needs to decide whether the event should go ahead and would like to understand the cost of the event using relevant costing principles. Details of the event are included in Table 2 (attached).

Please prepare a briefing note for the SMT which explains:

- How relevant costing principles should be applied to each item in Table 2, stating any further information you would need to determine and quantify the relevant costs of the SumTrix Live event. **(sub-task (c) = 40%)**

Mariah Thompson
Head of Finance
SumTrix

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

Table 1: Statement of gross profit for November 2025

	November	
	R\$000	R\$000
Sales		1,580
Cost of sales:		
Opening inventory	1,435	
Production cost	740	
Closing inventory	(1,260)	
		(915)
Under-absorption		(8)
Gross profit		657

Note:

- In November, actual fixed production overheads incurred were R\$244,000 and budgeted fixed production overheads were R\$230,000, a difference of R\$14,000.

Table 2: Details for the 'SumTrix Live' event

Item	Detail
Venue	The event will be held at an outdoor ski venue. Elena has negotiated a fee of R\$35,000 for hire of the venue. She has signed a contract and we have paid a non-refundable deposit of R\$5,000.
Freestyle riders	There will be three professional riders at the event who will each earn a fee of R\$2,000 if the event goes ahead. Each rider will be using a pair of skis from our Freestyle range, which will be gifted to them after the event. These skis will be taken from inventory and will need to be replaced.
Employee costs	<p>Some of our direct production employees will act as stewards at the event. Each production employee will be paid for the hours worked because it will be at a weekend. We will need to send all employees working as stewards on a health and safety course, which will be held in the working week. Because of this training, we expect to have to pay for additional production overtime to ensure that planned production is completed.</p> <p>Our sales teams will also be at the event. Sales team members are all salaried and attendance at promotional events is part of their contracted work.</p>
Promotional items	We are planning to give each attendee a SumTrix-branded woolly hat. We have 500 hats in inventory that we bought for a different purpose but ended up not using. Currently, there is no alternative use for these hats that cost R\$5 each. In total, we will need 2,000 hats. A supplier has indicated that they can supply these for a cost of R\$7 per hat. There is a minimum order quantity of 1,750.

Reference Material

Pre-seen

Write the briefing notes requested by Mariah Thompson in the box below.

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Pre-seen

It is now February 2026 and Mariah Thompson, Head of Finance, calls you and says:

"The SumTrix Live event held last month was very successful in boosting sales of our Freestyle skis but hasn't had much impact on the sale of Custom skis. Therefore, the Senior Management Team (SMT) has decided to undertake additional spend to promote Custom skis. There is disagreement within the SMT about how this should be done, although there is agreement that an external agency will be involved.

Elena Ricci, Sales & Marketing Director, is keen on a major promotional campaign utilising social media and at least one influencer. Julian Fischer, Managing Director, believes that a smaller campaign advertising in specialist skiing magazines would suffice.

Marcus Greene, Finance Director, has suggested that a zero based budgeting (ZBB) approach be used to determine the promotional campaign budget for Custom skis. He believes that this would also be a good approach to use to budget for other promotions and for support activity costs, such as training and machinery maintenance.

Please prepare a briefing note for the SMT which explains:

- How a ZBB approach can be applied to create a budget for the additional promotional campaign for Custom skis, including the creation of decision packages. **(sub-task (a) = 32%)**
- The benefits and challenges of using a ZBB approach to budget SumTrix's support activity costs. **(sub-task (b) = 40%)**

A new type of edge made from lightweight carbon will soon be used for all our Custom and Freestyle skis. We will source these edges from a new supplier. The old supplier of edges gave us 30 days credit, which we always adhered to. The new supplier's terms are 45 days, with a discount of 1% if payment is made within 15 days of invoice.

Please include in your briefing note an explanation of:

- How our investment in working capital and our operating cycle will change as a result of switching to the new supplier of edges if we take the discount. Please also explain the factors to consider when deciding whether to take advantage of the discount." **(sub-task (c) = 28%)**

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Reference Material

Pre-seen

It is now 2 weeks later and you receive the following email:

From: Mariah Thompson, Head of Finance
To: Finance Officer
Subject: Promotional campaign and old equipment

The Senior Management Team (SMT) in the end decided not to use zero based budgeting to determine the budget for the additional promotional campaign for Custom skis. Instead, three different campaigns have been put forward, and the SMT now needs to decide which campaign to choose. Each campaign is expected to have a different impact on sales volumes depending on the state of the market. I have drawn up a payoff table (Table 1, attached) showing the additional profit or loss from the campaigns for different states of the market. I have also prepared a regret table (Table 2, attached).

Please prepare a briefing note for the SMT which explains:

- The maximax, maximin and minimax regret decision criteria and how we would use each of these to decide which promotional campaign to choose. Please identify the campaign that would be chosen under each criterion.

(sub-task (a) = 36%)

Some of the equipment in the Custom Department will soon be replaced with new equipment. Table 3 (attached) includes information about an old grinding machine and an old press from the department.

Please include in our briefing note an explanation of:

- How the old grinding machine identified in Table 3 will be classified and measured in our financial statements for the year ending 30 June 2026.

(sub-task (b) = 28%)

- How the old press identified in Table 3 will be classified and measured in our financial statements for the year ending 30 June 2026.

(sub-task (c) = 36%)

Mariah Thompson
Head of Finance
SumTrix

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

Table 1: Payoff table of additional profit/(loss) from promotional campaigns

State of market	Campaign 1 R\$	Campaign 2 R\$	Campaign 3 R\$
Poor	(5,059)	(460)	1,232
Moderate	2,635	3,210	5,983
Strong	7,642	12,350	10,734

Table 2: Regret table

State of market	Campaign 1 R\$	Campaign 2 R\$	Campaign 3 R\$
Poor	6,291	1,692	0
Moderate	3,348	2,773	0
Strong	4,708	0	1,616

Table 3: Old equipment.

Grinding machine	<ul style="list-style-type: none">• The old grinding machine will cease to be used in the Custom Department from 1 April 2026.• On 1 April 2026, the machine will have a carrying amount of R\$15,600 and a remaining useful life of 3 years based on the original assessment of the asset's useful life.• The machine has been depreciated at R\$200 per month since it was acquired.• There is a good second-hand market for this type of machine, and we could sell it for R\$5,000 almost immediately.• However, management has already decided to keep the machine on site, just in case any of our other grinding machines break down. We have estimated that the present value of the savings we would make from using this machine rather than hiring an additional grinding machine would be R\$6.000.
Press	<ul style="list-style-type: none">• The old press will cease to be used in the Custom Department from 1 May 2026.• On 1 May 2026, its carrying amount will be R\$18,500 and depreciation is R\$1,500 per month.• The press will be reconditioned in May at a cost of R\$3,000 and advertised for sale from 1 June 2026.• We expect to sell the machine within 6 months for a price of R\$20.000. Selling costs will be R\$500.

Reference Material

Pre-seen

Write the briefing note requested by Mariah Thompson in the box below.

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Thank you for completing the Operational 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.

CGMA OPERATIONAL 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

Accounting treatment of the leased press

Leases are treated in accordance with IFRS 16: Leases. Where equipment is leased, this gives rise to a right-of-use asset and a lease liability. The right-of-use asset shows that SumTrix has the right to use an asset, here, a press, for the lease term. The lease liability reflects the future obligation to make payments to the lessor. SumTrix must make the lease payments over the lease term.

IFRS 16 states that the lease term is the period of non-cancellable payments in addition to any optional lease period if it is reasonably certain that it will be exercised. The initial lease term is 8 years with an option to extend the lease for a further 4 years. SumTrix expects to take the option to extend it and therefore the lease term is 12 years.

Lease liability

The lease liability is initially measured and recorded at the present value of the lease payments that have not yet been paid. This includes the seven remaining payments of R\$35,000 which will be paid from 1 January 2027 and the four further payments of R\$20,000 made on 1 January each year after that. The future payments are discounted to present value using the interest rate that is implicit in the lease which is 11%.

For the year ending 30 June 2026, the lease liability will increase by the finance charge that will also be charged to profit or loss. This will be 11% of the initial lease liability, prorated to reflect that the finance charge is for the period 1 January to 30 June 2026 (so for 6 months). In future years, the opening liability will be decreased by the payment made on 1 January each year. It will be increased by the finance charge of

11% of the balance remaining in the period before the payment, prorated and balance remaining after the payment, prorated. This finance charge will be charged to profit or loss each year.

The lease liability will be shown in the liabilities section of the statement of financial position and split between current and non-current liabilities.

Right-of-use asset

The right-of-use asset is measured using the cost model. It is measured at the initial measurement value of the lease liability plus any payments made at or before the commencement date of the lease, any initial direct costs and the estimated costs of removing or dismantling the asset as per the conditions of the lease. Therefore, the right-of-use asset will be initially measured at the total of the initial value of the lease liability as described above, the R\$35,000 paid on 1 January 2026 and the arrangement fee of R\$9,000.

Because ownership of the press remains with the lessor and will not transfer to SumTrix at the end of the lease term, the right-of-use asset will be depreciated over the shorter of the lease term and the useful life of the asset. The useful life is 13 years, and the total lease term is 12 years. Therefore, the press will be depreciated over 12 years. For the year ended 30 June 2026, there will be 6 months of depreciation, which is calculated by dividing the right-of-use asset by 12 and then charging 6/12 to account for the depreciation from January to June 2026. The depreciation will be charged to profit or loss and will reduce the carrying amount of the right-of-use asset in the statement of financial position. In future years, there will be a further depreciation charge and further reductions of the right-of-use asset based on a full year's worth of depreciation.

Production plan for touring skis

Schedule 2

The analysis in Schedule 2 has been prepared using limiting factor analysis. This technique can be used to make production decisions in the short term when there is only one limiting factor, here, cutting hours. The focus of limiting factor analysis is maximising contribution per unit of limited resource, here, cutting hours. We use contribution as the basis of the decision and not profit as it is assumed that fixed costs remain fixed over the relevant range of activity and are not relevant.

To determine the production plan, we first determine the available cutting hours, which is 500. We have contracted to supply 20 pairs of PeakGlide, 30 pairs of PeakRise and 15 pairs of PeakMaster skis to the ski rental company and this demand is being satisfied first in the schedule. We calculate the number of cutting hours required by multiplying the volume for each type of ski by the cutting hours required per pair. The total of 97.0 hours is deducted from the total cutting hours of 500.0 to give 403.0 hours remaining.

To determine the priority in which we allocate the remaining hours, we must calculate the contribution per cutting hour. To do this, we take the contribution per unit for each model and divide this by the number of cutting hours required to make each model of ski. Using the contribution per cutting hour, we then rank the models highest to lowest. This is PeakMaster, PeakRise and finally PeakGlide.

The production plan shows that we have planned to make all 75 PeakMaster using 120.0 hours, which reduces the available balance of hours to 283.0. We also plan to make all 131 PeakRise using 196.5 hours, reducing the balance to 86.5 hours. Finally, we do not have enough hours to do all required production of PeakGlide. We must calculate how many pairs of PeakGlide we can make with the remaining 86.5 hours which is $86.5/1.40 = 61.8$ pairs. This is rounded down to 61 pairs, leaving only 1.1 of a cutting hour left.

Other factors to consider

The proposed plan does not meet demand for PeakGlide. There will be a shortage of 30 pairs of skis (91-61). We must decide how we will allocate the 61 pairs between the retailers. We could decide to fully meet orders from some retailers and supply nothing or partially meet orders for others. Alternatively, we could partially meet all orders. It may be that we need to consult with Anya Ivanova, Head of Retail Sales, who has a working relationship with retailers. She may be able to advise whether any retailers would be willing to wait for their orders. However, there is still a risk of customer dissatisfaction and reputational damage from not being able to meet orders.

It has been decided to use the finished goods inventory for website sales, presumably because this channel generates a higher unit contribution. This decision is questionable. The sales referred to are potential sales and not firm orders, whereas the orders from retailers have already been placed. It would be possible, for example, to allow customers to place orders on the website but advise them of a delay in delivery. Alternatively, we could state that the ski range is temporarily out of stock. This would also cause customer dissatisfaction, but the impact may be less damaging to us. Retailers make larger orders than website customers and thus we should be trying to do all we can to meet their expectations as we already have established relationships with them.

Whether to pay for more cutting hours

The rate we should pay for a limiting factor (cutting hours) is any amount up to the shadow price per cutting hour plus the normal cost per hour of that resource. The shadow price of a scarce resource is the contribution that can be earned from having one more unit of that scarce resource.

We are told that we require another 40.9 hours to meet all demand. To determine whether it would be worth buying in cutting hours, we would need to determine the normal cost of each cutting hour and add this to the contribution we could earn by having another cutting hour. If we had more cutting hours, we would use them to make PeakGlide as we have met demand for the other two types of skis. The contribution

per cutting hour for the PeakGlide is R\$174.09. We would therefore be willing to pay up to the normal cost per cutting hour added to R\$174.09.

SECTION 2

Comparison of suppliers

Frost Force has a more conservative approach to working capital with an operating cycle of 48 days. Alpine Ace, in comparison, has a more aggressive approach to working capital with an operating cycle of just 3 days. This means that Alpine Ace has less money invested in the working capital of its business.

Inventory

Frost Force keeps inventory for an average of 15 days compared to Alpine Ace, which keeps inventory for 8 days. This could mean that if we used Alpine Ace as a supplier there may be less inventory on hand to supply SumTrix, especially given that it has 25 customers compared to only 6 for Frost Force. So, we may potentially have delays in supply.

Receivables

Frost Force has a longer receivables period of 54 days compared to 30 for Alpine Ace. There are different possible reasons for this. It may be that Frost Force grants its customers longer periods of credit than the industry average to attract business, which would be good for SumTrix. It has a smaller number of customers than Alpine Ace, but Frost Force is growing at a much faster rate, which suggests it may be a relatively new company. Alpine Ace collects money from receivables in 30 days, less than the industry average. This could be due to granting less favourable credit terms, using more aggressive collection techniques or offering early settlement discounts. We would need to consider this as a potential customer. A longer credit period would shorten our own working capital cycle and decrease the investment in working capital required. Alternatively, a shorter credit period would increase our working capital cycle and increase the investment in working capital required. We would need to evaluate the benefit of any early settlement discount.

Payables

Frost Force pays its suppliers in just 21 days, much faster than the industry average and also Alpine Ace at 35 days. This may suggest that it has not yet established a credit history and has been granted shorter credit terms than Alpine Ace. Alternatively, Frost Force could be taking advantage of early payment discounts. Alpine Ace may have agreed better than industry average credit terms of 32 or taken advantage of its suppliers, which is not ethical. As a customer, we would need to consider if we would want to be associated with such practices.

Cash balance

Frost Force has a very low positive cash balance which may lead to concerns about liquidity. Given its high growth rate, there could be a concern about potential overtrading. As a customer, this may potentially threaten our lines of supply. Alpine Ace has more customers and its growing revenue at a steady rate. It maintains a

higher cash balance of R\$3 million, which is more than Frost Force. This suggests that it has better liquidity and may be less of a risk in terms of continuity of supply.

Ski edge order size decision

Meaning of expected values, standard deviations and coefficients of variation

Based on the probabilities and the calculations of cost, it is possible to calculate the expected value of each order size. Expected value is the sum of each possible cost multiplied by its associated probability. For example, the expected value of the cost of ordering 8,000 edges is $(R\$32,000 \times 0.35) + (R\$47,000 \times 0.50) + (R\$62,000 \times 0.15) = R\$44,000$. As the payoff table is based on cost, the lowest expected value is R\$43,925 and is associated with an order size of 9,500 edges.

The standard deviation is a measure of risk. It is the average variation from the expected value and represents the dispersion of costs around the expected value. For the order size of 8,000 edges, the standard deviation is R\$10,173. This shows that the range of costs is wider than with the other two order sizes and could be between R\$32,000 and R\$62,000. The smallest standard deviation relates to the order size of 9,500 edges at R\$6,102, showing a smaller dispersion around the expected value from between R\$38,000 and R\$53,000.

The standard deviation is an absolute value and dependent on the size of the values under consideration, making comparisons difficult. The coefficient of variation is a comparable measure and calculated by dividing the standard deviation by the expected value. It is also a measure of risk and the lower the coefficient of variation, the lower the risk. The lowest coefficient of variation is 0.126 which is associated with the order size of 11,000 edges, whereas the highest coefficient of variation is 0.231, associated with ordering 8,000 edges.

The decision

A risk averse decision maker tries to minimise risk. They would base their choice of order size on the coefficient of variation. They would choose the order size of 11,000 as this has the lowest coefficient of variation and therefore the lowest risk.

A risk-seeking decision maker would look at the payoff table. They look to minimize the potential cost and so would base their choice of order on which size gives the lowest cost. They would choose to order 8,000 edges as this has the lowest potential cost of R\$32,000 despite there only being a 35% chance that demand will also be 8,000 and a 65% chance that demand will be higher, thus incurring substantially more cost.

Sources and types of big data for sales budgets

Big data refers to large volumes of both structured and unstructured data often external to the organisation and available to everyone, sometimes for a charge. The sources of data that could be useful to us to create a sales budget for the Touring range include:

Social Media Data: Social media provides information on how popular touring skis are. Social media platforms such as YouTube, X, WhatsApp and Facebook will provide us with the number of views, shares and comments, providing valuable insights on consumer preferences and trends. Several influencers are using our touring skis and it would be useful to follow these to gain insights as to consumer sentiments and behaviours. Google trends can help identify trending search items in relation to ski touring.

General economic data: Skis are a luxury item and information on changes in consumer spending may help us understand likely changes to buying behaviour. Information on disposable incomes and spending trends would be useful to assess customer behaviour.

Industry and Market Data: Databases such as Statista provide comprehensive statistics on trends in outdoor sports. These can give insights into sales of skis and ski gear by country and region. Other industry specific databases also provide trend data, tourist numbers and data on skier demographics and spending patterns, although some of these we may have to pay for.

Weather and snow condition data: As skiing is weather dependent, websites provide long range weather forecasts as well as historical and real time snow depth and conditions. Different geographical regions have different levels of snowfall throughout the ski season. Snow conditions are even more important where a resort has no snow-making equipment, as skiing is totally dependent on snowfall.

SECTION 3

Touring ski app

Establishing a cost per download

The costs of the app can be divided into direct costs and indirect costs.

A direct cost is the expenditure incurred on, or attributed to, a specific cost unit or activity, here, the ski touring app. The variable cost of R\$1.00 per download payable to the hosting company is a direct cost associated with each download. The other direct costs are the one-off fixed cost of around R\$350,000, which is the charge from Outdoor Innovations for developing the app; the annual fee of R\$65,000 charged by the hosting company; costs of updates at R\$7,500 per update and the costs of bug fixes at R\$650 per day. These costs only relate to the app and thus meet the definition of a direct cost.

The indirect costs are those that are not associated directly with the app. The costs of the management team members that will work on the specification and will liaise with Outdoor Innovation are indirect costs. They will also work on other aspects of the business and hence these costs do not meet the definition of a direct cost.

To establish the cost per download, we would add together the direct costs per download, the other direct costs of the app divided by the lifetime downloads and a share of the total indirect costs divided by the lifetime downloads.

Difficulties of establishing a cost per download

Despite seeming relatively simple, there are some difficulties in establishing the cost per download.

In relation to the costs above, some costs will need to be estimated as they will be incurred in the future. Even the development cost could be 10% lower or higher than the R\$350,000 quoted. This will depend on the complexity of the app, and we may choose to be prudent and estimate at the higher end of this sum, given the functionality we require. We do not know how many updates there will be and how many bug fixes we may need and over how many years. The total cost of bug fixes will be R\$650 multiplied by the number of days needed to deal with bug fixes over the lifetime of the app so this will need to be estimated. This is hard to do as we do not have experience with ski apps. The sums quoted for the updates and bug fixes are subject to annual inflation and we do not know what this is likely to be. Thus, as with other aspects of supply, this is the best estimate excluding inflation.

We will need to estimate the time to be spent by the management team. We know they are not likely to spend more than half of their time on the app, but any proportion we add into the cost is likely to be an estimate at this point. Again, it may be prudent to estimate at the top end of this cost in the first year as it could then be apportioned based on actual time spent in future years. We do not know over how many years we will need to account for a share of their costs.

We do not know the lifetime of the app. The hosting costs and the number of updates will both depend on the lifetime of the app. This will depend on both technology and its popularity. Other apps are likely to supersede our app in the future and we do not know now when this is likely to be.

Finally, we do not know the number of downloads over the lifetime. This will depend on both the lifetime of the app and its popularity. This is almost impossible to determine; however, we do have data concerning the past sales of touring skis and from this may be able to forecast how many potential customers are likely to download the app. We may assume that everyone who buys a pair of touring skis will download the app, however, there are other ski apps available and therefore this is unlikely to be the case.

Activity based budgeting

Activity based budgeting (ABB) is an approach where a budget is determined by considering the activities that drive the cost and estimating the cost that we will need to incur to perform each activity.

To establish a skilled labour budget for the Assembly Department, we need to establish the various activities that the employees perform. Schedule 2 shows three activities: pressing, grinding & polishing and testing. For each of the activities, we must determine the cost driver, which is the factor that drives the cost, and estimate the time taken to complete each individual cost driver.

For each of the three activities:

Pressing

This could be broken down into two activities involving skilled labour. Firstly, skilled employees layer the ski components into a mould by hand and then load them into the press two skis at a time. Secondly, after pressing, they remove them and transfer them to a trolley. As all skis have the same number of layers, the time taken to layer skis for the press will be roughly the same for each model and size of ski. The time taken to transfer to the trolley will also be the same. Therefore, the cost driver could be the number of batches for both activities as only complete batches are received into pressing. The total hours for the budget would be the number of batches for the period multiplied by the time taken per batch to layer the skis and then load them onto the trolley. The time in the press can be ignored as, during this time, employees are layering the next two skis ready to press.

Grinding & polishing

The grinding & polishing process is performed on each individual ski in the batch, and this can be broken down into two activities. The first of these is grinding the ski base and edges. There is variation in the number of grinding stages performed on each model and size of ski and hence the time taken will vary. The most accurate cost driver would be grinding stages. The time for each batch (which consists of the same model

and size of ski) would be determined based on how many grinding stages each ski takes in that batch multiplied by 100. The total time for the period would be determined based on the number of batches of each type and size of ski planned to be produced in the period, multiplied by the specific times per batch.

The next activity is polishing and then loading. As all skis receive the same number of polish layers, the time taken will be the same for all skis regardless of model and size (although a larger ski may take fractionally longer, this is likely to be negligible). The most reasonable cost driver would be the number of skis. To determine the total time for polishing, we would multiply the time taken to polish one ski and load onto the trolley, multiply by 100 and multiply by the number of batches in the period.

Testing

This can be broken into two activities. Firstly, the technicians program the robot to test each individual ski's camber and stiffness. Secondly, using the output from the robot, the technicians pair the skis together. The robot is programmed once per batch and we can assume this takes the same time for each type of ski; therefore, the cost driver is the number of batches. Total time would be determined by multiplying the time taken by the number of batches in the period.

The second activity is pairing the skis together. This is more complex than just putting two skis together as the output from the robot must be used to ensure each pair of skis has two skis identical to each other. The time taken is likely to be the same for each model and size of ski. The cost driver is the number of paired skis. The total time would be determined by multiplying the total time to pair two skis together and load onto the trolley by the number of pairs completed in the period.

We will then determine the total hours required for skilled employees in assembly by adding the total hours for the different activities above together. We may also decide to factor in an allowance for idle time.

The final total number of hours is then used to determine how many employees we need to employ based on the number of working hours in a budget period. To determine this, we need to include any hours needed for training and factor in allowances for holidays and sickness.

To quantify this, we would calculate the total cost to SumTrix by multiplying the total hours as determined above by the hourly rate, adding in any additional employer costs borne by the company in respect of this type of employee.

SECTION 4

Sales variances

Sales price variances

These variances show the impact on total profit of selling the skis for a lower or higher price than standard. It compares the budgeted and actual selling prices for the actual volume of skis sold. The overall variance is adverse for both website and retailer sales at R\$12,274 and R\$40,307 respectively and is adverse for every model of ski for both website and retailer sales. The most likely reason for these variances is the discount authorised by the SMT. This impacted both website and retail sales in July and August as selling prices were reduced by 10% and this was not reflected in the standard. The five new retailers may also have negotiated even lower prices than the discounted prices, which could also have contributed to the retailer price variances.

Sales mix profit variances

These variances show the impact on profit of selling skis in a different proportion to the budgeted mix. It compares the actual sales in actual mix with the actual sales in budgeted mix valued at the standard profit per unit. The overall variance for the website is R\$1,486 favorable, showing that we sold skis in a more profitable mix. This has been calculated using the individual units method, meaning that we sold higher proportions of the PeakGlide and PeakMaster and a lower proportion of PeakRise compared to the budgeted proportions. The largest variances are the PeakRise and PeakMaster. There are two reasons why this may have occurred. There were no website sales of PeakRise during two of the weeks in the period due to the damage of finished goods inventory. It is possible that sales were lost during this time. In addition, the content shared by the influencer may have led customers who would have bought the PeakRise to purchase the PeakMaster instead. It may also have led to more sales of the PeakMaster from new customers.

For retailers, the overall variance is R\$1,428 favorable, a similar amount to website sales. This also shows a higher proportion of PeakGlide and PeakMaster sales and a lower proportion of PeakRise. The online content may also have had the same impact on retailer sales as retailers may have ordered more of the PeakMaster skis instead of PeakRise to cater for the demands of their customers. The new retailers may also have ordered more PeakGlide and PeakMaster skis, further contributing to the variance.

Sales quantity profit variances

These variances compare the budgeted sales volumes with the actual sales volumes in budgeted mix to show the impact on profit. It is this variance that accounts for the main difference between the performance of the website and the retailer sales.

The overall variance for the website is adverse by R\$3,605, showing we sold less than expected in the standard mix of all three types of ski. The 10% discount does not seem to have had the impact of increasing sales. It is possible that it was not enough to

entice customers to buy last season's designs, perhaps preferring to wait for the new designs. There was planned maintenance during September, leading to the website being down for 3 days. This may have caused customers instead to buy skis from a retailer, a competitor, not buy at all, or may just have delayed their purchase until October; in which case we can expect to see these sales then. The same can be said for the stockout of PeakRise, however, PeakRise was only unavailable for 2 weeks, but it is possible we lost customers during this period.

The variance for retailer sales is R\$44,933 favorable. There are several reasons. It is possible that retailers ordered more skis of all types due to the discount of 10%. For ski rental shops, having the latest designs is less important than for customer sales so these retailers may have taken advantage to buy skis at a lower price. Contracts were agreed with five new retailers which were not reflected in the original budget, increasing volumes of all skis in the range compared to budget. It is also possible the new retailers ordered more skis than they would have otherwise done due to the discount. In September, some retailers ordered the new design. The range was not available on the website until October. The stockout during August should not have impacted on retailer sales as orders were fulfilled as normal, thus not resulting in either higher or lower sales. It is also possible that retailers increased their orders for PeakMaster to satisfy customer demand for this type of ski.

Usefulness of splitting variances into planning and operational elements

Planning variances compare an original budget to a revised budget to account for events that were not known when the budget was set. They are not under the control of the budget managers. An operational variance compares a revised budget with actuals. These variances are under the control of managers, here, the two Heads of Sales. The decision to give a 10% discount was made by the SMT. The Heads of Sales should not be held accountable for the variances that have arisen due to this decision.

Due to the decision, the sales price variances are all adverse. Although this may have had an impact on the sales volume variances, for retailer sales, the adverse sales price variance is offsetting most of the favorable sales profit quantity variance. In addition, the new retailers were not known about when the budget was set. It is debatable whether part of the sales quantity profit variance should be attributed to a planning variance. If the sales budget was set based on the number of retailers, there is an argument to do so. However, it can be argued that expanding the number of retailers we sell to is part of the role of the Head of Retailer Sales and thus the impact of this should be an operational variance.

For website sales, the adverse price variance contributes most to the total adverse variance. Without it, the adverse variance would be minimal.

Planning and operational variances are therefore useful to get a better picture of the performance of the two Heads of Sales by showing only those variances for which they are responsible.

KPIs for monitoring the website

Sales conversion rate

The conversion rate measures how successful the website is at converting visits to the website into sales. It is measured as the number of website sales / the number of website visits, expressed as a percentage. It should be compared with a target and across time to monitor trends that may give us important information. The purpose of the website is to attract sales and, if rates fall below target or are falling, then this may be an indication that the website is not sufficiently comprehensive to entice people to buy from it.

Cart abandonment rate

The cart abandonment rate measures the effectiveness of the checkout process. Once a potential customer has placed an item in their basket or shopping cart, their intention is normally to purchase it. If the cart is abandoned before the order is completed, this may indicate friction in the process. We need to investigate this to ensure that customers can complete their order as easily as possible. It would be measured as the number of times an order is left incomplete after having added items to the basket / the total number of times a customer adds items to the basket, expressed as a percentage.

Ski sales proportion

Both our ski ranges and our ski accessories are sold via the website. It is useful for us to know how effective the website is in generating sales of skis as opposed to ski accessories. We have invested in the website to give customers an immersive experience supported by interactive AI systems to ensure that customers are able to purchase skis suited to them without having to visit one of our retail partners. We need to know how effective this is. The ski sales proportion would be measured as the total value of sales revenue through the website generated from sales of skis for a given period / the total revenue generated through the website in total for that same period, expressed as a percentage.

OPERATIONAL CASE STUDY
NOVEMBER 2025 & FEBRUARY 2026
EXAM ANSWERS

Variant 2

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SECTION 1

Meaning of the what-if analysis

The what-if analysis shows the profit resulting from changes in three variables. These are the post-discount selling price per pair, the variable cost per pair and the sales volume. We have control over the level of discount we offer and therefore the selling price per pair, but do not have control over the variable cost per pair or the sales volume.

Each payoff is calculated considering these three variables. For example, the profit at a selling price of R\$683 (5% discount), a variable cost of R\$239, if we sell 475 pairs, is R\$157,100. This is calculated as the selling price less variable cost (R\$683-R\$239), equal to the contribution per pair, multiplied by 475 pairs sales volume to give total contribution. The fixed costs of R\$53,800 are deducted to give profit of R\$157,100.

The budgeted profit for the period January to March 2026 is R\$162,200. The analysis shows that if we offer a 5% or a 10% discount, profits will only increase from budget if this has the effect of increasing sales to at least 550 pairs regardless of variable cost. If the discount is 15%, profit will be above budget if we sell over 675 pairs regardless of variable cost.

The variable cost per pair is R\$239, R\$244 or R\$251 per pair. The variable cost per pair will be offset against the post-discount selling price per pair to give the contribution per pair. The higher the variable cost per pair, the lower the contribution per pair at each post-discount selling price, resulting in lower total contribution and profit as the fixed costs are the same regardless.

Each of the three given variable cost levels results in a profit higher than that budgeted at a sales volume of 550 or 675 pairs if the selling price is R\$683 or R\$647. However, if

the selling price is only R\$611 (15% discount), profit increases compared to budget only if sales are 675 pairs, regardless of variable cost. This is because the contribution per pair is lower and a higher volume is required to provide total contribution such that when fixed costs are deducted, the profit is higher than budgeted.

The change in sales volume has no impact on the contribution per pair but will impact total contribution as the contribution per pair is multiplied by the total sales volume to give total contribution. As fixed costs are the same regardless of sales volume, then a higher sales volume will result in a higher level of profit at each given combination of selling price and variable cost. Total profit will increase compared to budget if sales are 550 or 675 pairs (regardless of variable cost) unless the selling price is at a 15% discount (R\$611).

Statistical measures and attitude to risk

The expected value of profit is the weighted average of all possible outcomes, each weighted by the probability of that outcome occurring. In this case, this is a joint probability based on the probability of both the variable cost per pair and the selling price per pair. For example, with a discount of 5%, the probability of a sales volume of 475 pairs and a variable cost of R\$239 is calculated as 0.75 (chance of sales volume of 475 pairs) multiplied by 0.10 (chance of variable cost of R\$239 per pair). This is then multiplied by the outcome of R\$157,100. This is repeated for all nine outcomes and totalled to give the expected value for the 5% discount of R\$165,075.

Standard deviation is a measure of dispersion around the expected value of profit. It is therefore a measure of volatility of profit or risk. The highest standard deviation is associated with a discount of 15% with a standard deviation of R\$26,674. It does not necessarily mean that this is the discount level with the highest risk as this is measured in absolute terms.

The coefficient of variation is a comparative measure and gives the relative size of the risk when compared to the expected value. It is calculated by dividing the standard deviation by the expected value. It enables us to compare the risk of the discount levels more easily. The highest coefficients of variation are both a discount of 10% and 15% at 0.15 and are equally risky. The least risky option is the 5% discount at 0.13.

If the decision maker takes a risk neutral approach, they would ignore the variability associated with the different outcomes and select the discount level that gives the highest expected value of profit. This would be 10% with an expected value of R\$175,198.

If the decision maker takes a risk seeking approach, they would choose the discount level that gives the highest level of profit, regardless of the probability that it will occur. The highest profit is R\$245,900 and is associated with a 5% discount. This ignores the probability that there is just a $0.1 \times 0.05 = 0.005$ chance that this outcome will occur as the variable cost must remain as budgeted and the smallest discount will result in the highest level of sales, which is unlikely.

If the decision maker takes a risk averse approach, they would minimise risk by choosing the discount level with the lowest coefficient of variation. This is 0.13 and associated with the 5% discount level.

Limitations of the information in Table 1 and the drawbacks of using expected values

The first limitation of Table 1 is that we have assumed only three levels of sales volume will occur based on each discount level. It is extremely unlikely this would be the case. The budgeted sales volume for the period is 450 pairs. The analysis assumes that this will either change to 475, 550 or 675. It is more likely that the sales volume will be anywhere between 450 and 675. However, it could also be lower than 450 if the discount has no impact (and sales fall) or it could be more than 675.

We have also assumed that there are only three possible variable costs. Therefore, whereas the table shows nine possible outcomes in relation to each discount, there will be many more. The analysis is an oversimplification.

Table 1 assumes that everyone who buys skis signs up to the newsletter and buys a pair of skis. It is possible that some customers may choose not to sign up and pay full price if they do not want to receive emails from us in the future.

A drawback with expected value is that it assumes that the decision will be repeated many times and therefore the weighted average represents an average outcome over time. As this is a one-off decision, this decision will only have one outcome and not many outcomes.

Expected value is a risk neutral approach to decision making. On this basis, we would advise to apply 10% discount as this decision has the highest expected value. However, profits will only increase compared to the budget if sales are 550 or higher. If they are not, profits will fall.

The estimates of probability are also subjective and provided by Elena Ricci and Miriam Vogt, based on their experience and knowledge of the market. Hence, the probabilities may not be that accurate.

SECTION 2

Economic order quantity (EOQ) model

Schedule 1

Schedule 1 shows the total purchase cost, total holding cost and total order cost resulting from three different glove order quantities. The sum of these represents the total inventory cost. As the order quantity gets larger, the holding cost increases as we will have to store more gloves before we sell them and hence will have a higher inventory level. The order cost, however, gets lower as the larger the order size, the fewer orders we need to make in a year to meet demand.

The first row of Schedule 1 shows the total inventory costs if we order at the economic order quantity. This is 1,452 pairs of gloves and is the quantity where the total costs of ordering added to the total holding costs of inventory are minimised. It is also the point at which theoretically the total costs of holding inventory of R\$1,060 are equal to the total costs of ordering inventory, because we are assuming that we hold no buffer inventory.

The EOQ has been determined by taking the square root of $(2 \times C_o \times D \text{ divided by } C_h)$.

Each row of the schedule shows the total cost of inventory at the EOQ, and the minimum quantity required to obtain the bulk purchase discounts of 2% and 4%. The total cost of inventory is the sum of:

- The total purchase cost. This is the annual demand multiplied by the purchase cost. At the EOQ, we do not qualify for a bulk purchase discount; therefore the purchase price per pair is the full price per pair. However, for 1,800 and 2,500 pairs, it will be reduced by 2% and 4% respectively.
- The total holding cost. This is the order quantity divided by 2, giving the average inventory, multiplied by the cost of holding one pair of gloves in inventory for a year.
- The total order cost. This is determined by dividing the annual demand by the order quantity to give the number of orders per year and multiplying by the cost per order.

From this analysis we can assess whether it is worth taking the discount or ordering at EOQ and if so, which discount level we should take to minimise total inventory costs. The lowest total cost is R\$372,041. This assumes we take a 4% discount and order a minimum of 2,500 at a time.

Assumptions of EOQ

The assumptions of the EOQ model are that:

1. Demand is known with certainty and constant over the period.
2. The purchase price is known and constant.

3. The lead time, which is the time from placing an order to receiving the goods, is known and constant.
4. There is no buffer inventory held.

Taking each in turn. The demand for gloves, as for other accessories, is seasonal. Our customers order more as we approach the ski season than at other times during the year. It is supported by the fact that some ranges are often out of stock while others have excess. Thus, this assumption is not met.

The purchase price is not constant due to the availability of bulk discounts and therefore this assumption is not met. However, we can incorporate bulk discounts as explained above. It is also possible that the price may change during the year to reflect new models and designs.

We are not told whether the lead time is constant and known. We buy our ski accessories from trusted suppliers and thus we can assume that this may be the case, but we would need more information from our Purchasing Team in relation to this.

Finally, EOQ assumes no buffer inventory is held. Given that some ranges are often out of stock on the website, we should consider holding a buffer inventory to accommodate any unexpected increases in demand or if we experience any longer lead time. As we have an excess of some ranges however, this will need to be considered per product.

Because the assumptions of EOQ are not met, it is not appropriate to use the model for the ski accessory range.

Digital costing system

A digital costing system gathers information from the internet in real time. It can help with purchasing raw materials and ski accessories and costing and profitability analysis.

Purchasing

By linking our own systems with those of our suppliers, we can compare prices, lead times and other credentials more easily. In respect of our ski accessory range, we would like to know when new models are introduced or new technologies are used, for example, new lenses in ski goggles or heating technology in gloves. We need to respond quickly to ensure that our ski accessory range reflects the latest gear, and we are not left with surplus items we then must discount to sell.

Digital costing systems have built in analytics and intelligence capabilities. This would enable us to see trends over time, allowing us to understand the changing nature of costs. These could change based on seasonality or longer-term trends. For example, the move towards using sustainable raw materials in our construction of skis may be reflected in changing prices and supply patterns. Some digital costing systems can suggest how new products on the market could be incorporated into production which could help us meet our sustainability goals. Some systems support forecasting tools

that estimate future costs. As skiing is a seasonal activity, this could help us with budgeting.

Digital costing systems can cope with many purchasing decisions at a time, and this may mean we can make cost savings in our Purchasing Team. Digital costing systems are automated, which reduces the possibility of errors being made through manual data entry.

Costing

A digital costing system will allow us to access cost information in real time. This means that our standard costs, currently updated only once a year, can be updated in real time to make them more accurate. This will make our cost control and performance evaluation more meaningful as our standards will be up to date.

As well as purchasing and supply decisions, a digital costing system could help us better understand the nature of costs within SumTrix. It can provide a breakdown of direct and indirect costs of our production process, including materials, labour and overhead costs. It can separate costs into variable and fixed elements, give breakdowns of overhead costs and provide up-to-date information on cost drivers, enabling us to refine our standard cost cards, have better cost control and make effective pricing decisions. It may allow us to refine our prices across each sales channel or even to help us make decisions on the discounts we give to our retail partners.

A digital costing system can break down costs over customers, regions and sales channels, enabling us to see the margins generated from each sales channel. We could better understand which retailers are costing us more to supply and in which regions of Reeland. This would help us to make decisions on which retailers to visit and how often to do so.

SECTION 3

Beyond budgeting

Beyond budgeting is a term to describe a collection of techniques that aim to address weaknesses and limitations of traditional approaches to budgeting, such as incremental budgeting.

Beyond budgeting uses rolling budgets produced on a quarterly or monthly basis. A rolling budget is continuously updated by adding a further accounting period to a budget when the earliest accounting period has expired. In this way, they can be described as continuous budgets. Budgets are more flexible than incremental budgets and do not rely on obsolete figures resulting in a timelier allocation of resources. Rolling budgets would help address the concerns of the SMT. As we are facing a period of uncertainty due to increasing sales and new competition, we can adapt to the environment quickly and effectively by adjusting the production budget to reflect changing sales demand. In addition, we can adjust our materials budgets to reflect the changes to the supply environment, such as the move towards more sustainable materials, that may impact material prices and usage. Rolling budgets enable us to be proactive rather than reactive. Using incremental budgets, we would not update the budget until the next financial year.

Beyond budgeting involves the use of a wider range of key performance measures (KPIs). This means that targets become more challenging and focused on our critical success factors. In the production departments, this would result in a focus on quality. The SMT is concerned about falling quality standards because of pressure caused by increased sales demand. Appropriate KPIs such as the yield rate (defect free production as a percentage of total production) would ensure that our employees are focused on quality as well as quantity.

Targets are often set on benchmarks that are observed externally. For example, for our Production Department, we may choose to measure the production cycle time (time taken to produce a pair of skis from start to finish); Carbon footprint per pair of skis, or capacity utilisation compared to industry averages. Appropriate externally referenced benchmarks for the production departments will ensure SumTrix can compete with others in the ski gear industry; learn from the practices of larger ski gear companies and implement industry best practice to improve and streamline operations.

Beyond budgeting focuses on innovation and continuous improvement. It is encouraged and rewarded. For our production departments, this may involve innovating techniques used in ski production, reducing waste and using sustainable materials and processes. It ensures we are proactive in terms of meeting the needs of the market.

Budgets are set at a local level. Lower-level managers, such as our production heads of department, would be involved in setting the budgets for their departments. As the heads of department better understand their departments than higher level managers, then budgets are likely to be more accurate. For example, they will know better how much to budget in terms of idle time, wastage and material usage. It is more likely

managers will be motivated and take ownership of their departmental budgets, which means they are more likely to meet them.

KPIs

The newsletter retention rate compares the subscribers at the end of the period with those at the start of the period, excluding those who subscribed during the period. As such, it shows how many customers continue to subscribe. As customers subscribe to the newsletter when they click on the website to gain access to the discount, unless they unsubscribe, they will continue to receive emails with promotional offers and the link to the video content. The KPI shows that we are retaining a reducing number of subscribers in the period. Nearly half of subscribers are unsubscribing. We must investigate the reasons why this is the case. The unsubscribing pattern analysis for March tells us that 55% of those who unsubscribe think the newsletter does not have useful content even though only 10% think that they are sent too frequently.

The post-discount unsubscription rate shows the percentage of customers that unsubscribe after having used the discount in that month divided by the number of subscribers who redeemed the discount. This shows us how many customers are only signing up to the newsletter to gain access to the discount. We can see that this goes from 45% of customers in January to 61% of customers in March. This does not mean, however, that the rest of the customers are engaged with the newsletter or the instructional videos as customers must actively unsubscribe. It does, however, show that more customers are now using the discount and then not engaging on a longer-term basis with the newsletter or the videos.

The cost of expanding the video range is only cost effective if it encourages customers to sign up to the newsletter and retains them as subscribers so we can target them with promotional material and generate more revenue. For this, the videos must be engaging, and the newsletter must contain relevant and interesting material with promotional offers that appeal to them. The average video completion rate shows that, of the total number of customers that viewed the videos, not many customers finished watching them. This has halved from only 30% in January to 15% in March. As these months are all in the European ski season, it would be expected that views would be higher at this time of year. It may be that the videos are not that interesting or instructional, perhaps they are too basic or too advanced for the customer base. The unsubscribing pattern analysis for March tells us that 65% of customers do not find them useful.

The post-purchase video engagement rate shows the number of subscribers who redeemed a discount and watched a video as a percentage of those who just redeemed the discount. This tells us whether customers are subscribing to use the discount or to gain access to the videos. The engagement rate is low at around 30%. It is more likely that most subscribers subscribe to gain access to the discount than to gain access to the videos. For those that do view them, as explained above, the completion rate is even lower, showing that only a very small proportion of subscribers watch them. The videos are not hard to access as only 5% selected this as a reason for unsubscribing. However, this should still be investigated.

Customers are, however, taking advantage of the discount. The discount redemption rate shows that nearly all customers who subscribe make use of the discount. This supports the argument that customers are signing up to get the discount and then unsubscribing.

Based on the evidence, it would not seem worth investing to expand the video series. 30% of those who unsubscribed said that they were no longer interested in skiing. Skiing is a seasonal activity but January to March is still in the ski season. Market research would therefore be useful before a final decision is made.

SECTION 4

Impairment of assets

Damage to ski press

The ski press was damaged on 30 April 2026 and we need to consider whether there is an impairment to its value at that date. IAS 36: Impairment of Assets states that an impairment has occurred when the carrying amount of an asset is higher than its recoverable amount. The recoverable amount is the higher of the asset's value in use and its fair value less costs to sell.

Before the damage, the press had a carrying amount of R\$31,500. The recoverable amount is the higher of the value in use of R\$21,000 and the fair value less costs to sell which is R\$7,200. The recoverable amount is therefore R\$21,000. The carrying amount is higher than this and therefore the press is impaired by $R\$31,500 - R\$21,000 = R\$10,500$. The impairment loss will be written off as an expense to profit or loss for the year ending 30 June 2026.

The damage also resulted in a reduction of useful life. Where this occurs, IAS 16: Property, Plant and Equipment states that from the date of the change, the carrying amount should be depreciated over the remaining useful life.

The remaining useful life has been reduced from 9 years to 6 years. From May, the depreciation will be calculated as the new carrying amount of R\$21,000 less any residual value, divided by 6 and multiplied by 2/12 to reflect the period from 1 May 2026 to 30 June 2026. For the year ending 30 June 2026, there will be 10 months of the original depreciation charge and 2 months of the new charge.

Damage to inventory

IAS 2 states that inventory should be valued at the lower of cost and net realisable value. The work in progress has a cost value of $10 \times R\$675 = R\$6,750$. However, due to the deterioration in custom design, a key part of the custom ski, they can only be sold for R\$680 per pair after having had the spray paint removed. The net realisable value is $10 \times R\$680 = R\$6,800$ less the costs of the paint remover of R\$450. This is R\$6,350. As this is lower than cost, the skis will be written down to R\$6,350 in the statement of financial position and the difference written off as an expense to profit or loss.

Production variances

The labour rate variance shows the impact on cost of the difference between the actual hourly rate and the standard hourly rate for the actual hours paid. The variance is R\$6,042 favourable, meaning that we paid less per labour hour than budget. There are two factors that probably account for this variance. The first is that semi-skilled labour was used during May to cover sickness and increased demand. They were paid a considerably lower hourly rate than the assembly skilled employees. In addition, the

cost of labour went up due to an increase in employer's tax implemented as part of the national budget. These two factors have opposite impacts on the overall variance, the first causing a favourable variance and the latter an adverse one. The overall variance is favourable, meaning that the former impact was larger than the latter.

The idle time variance is the difference between the hours paid and the hours worked multiplied by the standard labour rate per hour. The idle time variance is always adverse as it represents unproductive time that we never budget for. The variance is R\$550 adverse. The most probable cause is the time wasted as Assembly Department employees waited to use the touring presses being used by the Custom Department employees.

The labour efficiency rate shows the impact on the cost of employees working at a faster or slower rate than standard. It is a measure of their efficiency. The variance is R\$14,102 adverse, meaning that for actual production, more labour hours were used than standard. This is likely caused by the unskilled employees working more slowly than more experienced skilled labour. Two new supervisors were employed during May, but this does not seem to have made a difference here, perhaps as they had yet become fully familiar with the processes and labour in the department. An additional factor is that the touring presses had to be re-set after having been used for the custom skis. This would have slowed down production.

The fixed overhead expenditure variance shows the impact on cost of the difference between budgeted and actual fixed overheads. The variance is R\$3,719 adverse, which means that more was spent on fixed overheads than budget. The probable reason is that we employed two supervisors in May that were not reflected in the budget.

The fixed overhead efficiency variance shows the impact of the chosen absorption bases which is labour hours. It compares the actual hours worked with the standard hours that we should have worked for actual production. The difference in hours is valued at the standard overhead absorption rate per labour hour to show the impact on cost. The variance is R\$17,403 adverse. This means that we took more labour hours to make actual production than standard. The reasons are the same as for the labour efficiency variance.

The overhead capacity variance is the difference between the original budgeted labour hours (based on budgeted production for May) compared to the actual labour hours multiplied by the standard overhead absorption rate per hour. The variance is R\$26,109 favourable, which means that we had more labour hours to absorb overheads than budget. This is a result of the increase in the number of additional hours worked by the employees recruited, which occurred due to the increase in production of skis.

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EXAM ANSWERS

Variant 3

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SECTION 1

Sales forecast

The trend lines and seasonal variations

Chart 1 and Table 1 are the results of carrying out analysis on a time series of quarterly sales volumes of freestyle skis in North America over a 3-year period. Chart 1 shows three different trend lines, which represent the underlying long-term movement in sales volumes over the periods shown.

The chart indicates that there is an upward trend overall. Each line has a positive gradient indicating growth in the market. However, the rate of growth has changed over the period. The period late 2023 into 2024 (trend line 2) has the highest rate of growth. This perhaps corresponds with a surge in demand in North America for freestyle skiing as a result of George Bosun winning the Freestyle World Championship.

The rate of growth in the latest period on the chart, shown by trend line 3, seems to have reduced considerably, and based on its gradient, appears to be lower than for trend line 1. This could indicate that the market is reaching saturation point or perhaps there are economic events such as a recession or a cost of living crisis slowing the rate of growth in what is a luxury pastime.

Table 1 shows the average seasonal variations, which are the short-term fluctuations in sales volumes due to the season. This table indicates that in quarters 1 and 4, sales volumes are significantly higher than the trend and in quarters 2 and 3, significantly lower than the trend. This fits with the seasonal pattern of our own sales and is associated with the ski season in the northern hemisphere.

How to use the information in Chart 1 and Table 1 to create a sales forecast

To create a sales forecast for our Freestyle range in North America for the first 12 months, we first need to establish what we expect the trend volumes to be by extrapolating trend line 3 (the latest trend line) into the future so that it covers the period from 1 January 2026 to 31 December 2026.

There are two ways that we could do this. The easiest way is to extend the trend line in Chart 1 into the future so that it covers quarter 1 2026 to quarter 4 2026. We would then read the trend sales volumes expected from the graph for each quarter.

A more accurate way to establish trend sales volumes for each quarter would be to use the linear equation for trend line 3 that will have been established by the regression analysis. The linear equation is expressed as $y = a + bx$ where y is the forecast sales volume, a represents a base level or starting point for sales, b is the constant amount that sales increase by each quarter and x is the period number.

After we have established the trend forecast for the four quarters, we need to adjust for seasonality in those quarters using the data in Table 1. So, for each trend figure, for quarter 1 we would increase it by 30%, for quarter 2 decrease it by 50%, for quarter 3 decrease it by 25% and for quarter 4 increase it by 45%. This would give us a forecast for total sales volumes of freestyle skis in North America for each quarter. We would then need to decide how much of the total market we would expect to capture in each quarter to determine a sales forecast for our own Freestyle range.

Factors affecting the accuracy of this forecast

The data used to create the trend and seasonal variations is for sales of all freestyle skis in North America. Whilst the focus on North America is appropriate given that this is the market we are entering, freestyle skis is likely to cover a broad range from basic economy skis to high-end professional skis. We have a reputation as a high quality producer of freestyle skis and have a unique selling point in terms of our designs. This could allow us to capture more of the market than indicated by the forecast, or conversely less of the market if freestyle skiers in North America are more interested in the economy end rather than the quality end of the market.

The approach explained above assumes that trend line 3 is representative of the trend for the period of the forecast, which starts 3 months after the trend line ends and which runs for a full 12 months after that. As Chart 1 shows, the trend has changed considerably over the period of the analysis and does seem to be influenced by external events such as George Bosun winning the Freestyle World Championship. The trend given by trend line 3 is unlikely to be representative of the future trend, which could show higher growth or even lower growth.

Finally, determining our market share will be difficult and this will affect the accuracy of the forecast. We are a relatively small company, even within our own European market where we know our competitors. The North American market is likely to have different competitive pressures to the European market as different companies are likely to operate there. In addition, the amount of market share that we can achieve will be influenced by the level of promotion and marketing that we undertake and is unlikely to be constant over the period of the forecast.

Benefits of using big data and big data analytics for sales revenue forecasts

To forecast sales revenue, we need to establish the number of our Freestyle skis we will sell, the mix of those sales (between SummitGlide, SummitFlow and SummitForce) and the prices we will sell them at. North America is a new market for us, which means that there is significant uncertainty regarding all of these variables.

For example, prices will depend on the market perception of our brand, competitive pressures and ultimately the level of promotional discount we might give away to build a presence in the market. Using big data, with information from the internet and social media, as well as big data analytics, can help us manage this uncertainty and support more accurate and dynamic sales revenue forecasting.

There is a wide variety of information available on the internet, such as ski equipment industry sales data, sports participation data and published competitor data. Big data analytics can gather and analyse such data to identify trends in different elements of the freestyle ski market in North America. For example, because of the volume of data available, it will be possible to focus on the market for freestyle skis like ours (high quality, with unique designs).

Big data analytics can also incorporate external data in its analysis, such as weather patterns and snow conditions (which have a direct bearing on participation in freestyle skiing), economic indicators such as inflation and interest rates and social media trends. All of these can provide additional insights into demand fluctuations and demand expectations from the past which could inform our future expectations.

As well as this, machine learning models can analyse complex datasets to generate more accurate forecasts, using algorithms that adjust predictions dynamically as new data becomes available. For example, data about the launch of new freestyle ski designs by North American competitors or new promotional campaigns may adjust our forecast and enable us to react by maybe changing the timing of our own new designs and promotions.

Given that North America is a new market for us, big data analytics can simulate different market scenarios that we might face. It will allow us to stress test our initial forecasts and plan and prepare for different contingencies such as spikes in demand coming from perhaps another George Bosun win.

SECTION 2

The decision tree and how we should use it to make our decision

This decision tree is a diagrammatic representation of the decisions that we need to make. Here there are two decisions: whether to choose option 1 or option 2 for Gimbals (which is decision square A) and then whether it would be better to use Gimbals or Vronz (decision square B).

The circles on the decision tree represent the possible outcomes for each of the three possible courses of action (Gimbals option 1, Gimbals option 2 or Vronz). For each circle, there are three possible outcomes based on good, moderate and poor sales. Each of these has a probability associated with it, which represents the chance of that outcome occurring. For example, for Gimbals option 1, there is a 30% chance that sales will be good and a profit of R\$1,822,500 be achieved. For each circle, an expected value has been calculated which represents the weighted average of the possible outcomes based on the probabilities.

When using the tree to make our decisions, we work from right to left. We start at decision square A and compare the expected value of option 1 (R\$1,458,000) with the expected value of option 2 (R\$1,436,738) and choose the highest. Thus, we should choose option 1 which is to have a commission rate that is the same regardless of the sales value.

We then move to decision square B and the decision whether to use Gimbals or Vronz. To make this decision, we need to compare the expected value of choosing Gimbals (which is R\$1,458,000) with that of Vronz (R\$1,783,782 – R\$300,000, which is R\$1,483,782). Again, we should select the highest value as this gives us the highest expected profit and therefore choose Vronz.

Limitations of using the tree to make the decision

A limitation of using this decision tree to choose the sales agent is that it is based on estimates of the profit that can be achieved for sales levels that represent good, moderate and poor sales. North America is a completely new market for us and therefore our estimates of sales volumes are likely to be subject to significant error. Additionally, modelling only three possible sales levels is an oversimplification, given the newness of this market.

Further, we have assumed that the extra promotional campaign with Vronz will increase volumes sold by 10%, however, again this is purely our own estimate. In reality, there could be no impact on volumes sold as a result of this, or the impact could be greater than 10%.

The probabilities are also estimated: there are a whole range of factors that will affect whether sales are good, moderate or poor including competition and weather conditions. We have assumed that the chance of good sales increases from 30% to 50% because of the targeted promotional campaign. There is no guarantee that this will be the case. Indeed, there is every chance that the probabilities of each level of sales stays the same. Given that the expected values are not that different to each other, a small change in the probabilities could result in a different decision.

A decision tree approach to decision making is based on expected values which are weighted averages of all possible outcomes, weighted according to their probability of occurrence. This approach is valid where a project is to be repeated time and time again because the expected value represents the average of the results from all of the occurrences. However, this approach is not valid for a one-off decision such as this.

Because a decision tree approach uses expected values, there is an assumption that the decision maker is risk neutral. This means that the range of possible outcomes and their probabilities are ignored. In this instance, whilst Vronz gives the best result on an expected value basis, this includes a 10% chance that the outcome will be a profit of R\$916,215 (=R\$1,216,215 – R\$300,000), which is the lowest of all of the possibilities.

Using this approach also means that qualitative non-financial factors are being ignored. For example, we need to consider the potential quality of service based on each agent's track record and reputation for providing these services. We also need to consider how they apply business ethics to ensure that we protect our own reputation. Poor quality of service could jeopardise the success of the launch into North America.

Finished goods inventory

The factors that need to be considered when determining the level of finished goods inventory are as follows:

- **Forecast sales:** We will need to ensure that we hold sufficient inventory to be able to satisfy orders as they start to come in. Otherwise, we will have stock outs and lost sales. Whilst there will be a lot of uncertainty at this stage, once we start selling in North America, and the sales agent chosen starts acting on our behalf, we will have more certainty surrounding future demand and can flex the amount of inventory on hand.
- **Lead time:** We will also need to consider the length of time to transport our Freestyle skis to customers in North America and how certain this is. For example, if our plan is to use air transport where we can be reasonably certain that goods will be received in a few days, it may be possible to hold a lower level of finished goods inventory than if we are reliant on shipping where delivery time can vary considerably.
- **Costs of holding:** We also need to consider that the higher the level of inventory we hold, the higher our investment in working capital and the higher the finance costs associated with this. In addition, there will be higher storage costs (for example, insurance), as we will need to ensure that any inventory we hold is secure.
- **Risk of obsolescence:** We also need to consider how quickly inventory becomes out of date. Our ski designs are updated annually and therefore we will need to ensure that we don't hold too much inventory of designs that are due to be discontinued, as we will need to discount such inventory, which will reduce our profits.

Overall, when determining the level of inventory to hold, we need to balance the need for sufficient inventory to satisfy orders against the implications of holding too much inventory (high holding costs and a higher risk of obsolescence).

SECTION 3

Fixed production overhead variances

Expenditure variance

The fixed production overhead expenditure variance is adverse, which means that in March, R\$21,900 more was spent than budgeted on fixed production overheads. Fixed production overhead includes many different cost items and there will therefore be many reasons for this overspend.

These reasons include the additional costs incurred for the new press and grinding machine that were installed in February. This will include depreciation plus any additional maintenance and insurance costs in the month. An additional supervisor was also employed, which will have increased fixed production overhead.

Efficiency variance

The fixed production overhead efficiency variance is adverse, which means that assembly of the actual number of skis took more direct labour hours than standard. In other words, direct labour was not as efficient as it should have been.

To increase capacity, we took on additional direct employees at the end of February. These employees were inexperienced and had to be trained on the job. This is likely to have slowed down the rate at which all employees worked, either because they were learning the processes or because they were doing the training.

Capacity variance

The fixed overhead capacity variance is favourable, which means that in March direct employees in the Assembly Department worked more hours than budgeted for the month. Effectively the capacity of direct labour has been increased.

This increase in capacity has arisen because of the additional direct employees taken on, which will have increased the number of direct employees. In addition, all employees worked significant overtime in the month, which means more hours were worked.

Total variance

The fixed production overhead total variance is adverse, which means that in March actual fixed production overheads incurred were R\$11,542 higher than the amount of fixed production overhead absorbed for the level of actual production. This represents an under-absorption of fixed production overhead.

This under-absorption has arisen because the impact of the increase in overhead expenditure of R\$21,900 is greater than the impact of assembling more pairs of skis than budget.

Usefulness of these fixed production overhead variances for cost control

Of the four fixed production overhead variances calculated, the only one that is potentially useful for cost control is the expenditure variance because this tells us the difference between what we incurred and what we planned to incur on fixed production overheads. However, because we only calculate this on a department basis, its usefulness is limited.

We know that certain costs such as depreciation, equipment and supervisor costs will have increased, but we don't know how much of the expenditure variance as calculated relates to this. It could be that there are other factors affecting the variance, which are hidden because the variance is only one figure. It would be more useful to break this expenditure variance down into perhaps different assembly processes to have a better idea of how each area is performing.

The efficiency and capacity variances are components of the volume variance which measures the difference between budgeted fixed production overheads and the fixed production overheads absorbed during the period. The volume variance therefore has little if any value in terms of controlling overhead costs as it just tells us that the level of activity was different to that budgeted. The efficiency variance does tell us about direct labour efficiency, but even this is of little use because it is not specific to any of the assembly processes.

Activity cost hierarchy

In activity based costing (ABC), an activity is an event or task that consumes resources and for which cost is incurred. These activities can be categorised as unit, batch, product or facility-level activities.

Unit-level activities

Unit-level activities are those activities that are performed (and therefore generate cost) each time that an individual unit of a product is made. In our case, a unit will be a single pair of skis of a particular model (for example, a single pair of SummitGlide or PeakMaster skis). Unit-level activities are those where the consumption of resource is strongly linked to the level of output.

Examples of costs within the Assembly Department that would be categorised as unit level include any overhead costs associated with activities which generate cost in proportion to the level of output. This is similar to the traditional view of costs being classified as "variable" when they vary in proportion to the number of units produced. The costs of operating our presses (energy, depreciation, insurance and so on) will be unit level because a single pair of skis is pressed at a time.

Batch-level activities

Batch-level activities are those activities where resources are consumed in proportion to the number of batches produced rather than on a unit basis. The cost of batch-level activities will vary with the number of batches produced and will be the same per batch regardless of how many units are in the batch.

An example of a batch-level cost will be the cost of setting up the robots to test camber and stiffness of skis, as set up occurs for each batch. Another example will be any

indirect employee and equipment costs related to movements of a batch (for example, movement of components into the department and movement to the testing process).

Product-level activities

Product-level activities are those activities where resources are consumed to support individual products (rather than units of product). Products in this context means a specific model of ski. Product-level activities are undertaken irrespective of the number of units of the product that will be made, or the number of batches that are produced. The cost of these activities therefore cannot be directly linked to the number of units of production or the number of batches.

An example of a product-level cost is the cost of the moulds used in the pressing process. Each mould is specific to a model and size of ski and has to be replaced every 6 months, therefore the cost of replacement represents a product-level cost.

Facility-level activities

Facility-level activities are those activities where resources are consumed to support the business but cannot be traced to individual units of production, batches or specific model of ski. These activities are performed to support the Production Facility and the assembly process as a whole and are common to all models of ski.

There are many potential examples of facility-level costs. For example, property-related costs (insurance, depreciation, heat and light and so on) and the Assembly Manager's salary.

SECTION 4

Revaluation of properties

IAS 16: Property, Plant and Equipment is the relevant financial reporting standard here and states that a policy of revaluation of non-current assets can be adopted, but only if all assets from the same class are revalued.

This means that if we choose to revalue the Production Facility and Goods Inwards Warehouse properties (because these are the two properties where valuation is higher than carrying amount), we will also need to revalue the Goods Outwards Warehouse and Head Office properties, even though the valuations of these two properties are lower than carrying amount. We cannot choose the properties where there is a revaluation surplus. If a revaluation policy is adopted, in the future we would also need to include any property related to the North American operation.

If we were to choose the revaluation policy, with effect from 1 July 2026, we would need to consider each property in its own right and determine whether there is a revaluation surplus or a revaluation loss. A revaluation surplus arises when the valuation is higher than carrying amount and a revaluation loss arises when the valuation is lower than carrying amount.

Therefore, the Production Facility will have a revaluation surplus of R\$375,000 because its valuation of R\$1,300,000 is higher than its carrying amount of R\$925,000. Similarly, the Goods Inwards Warehouse will also have a revaluation surplus of R\$55,000 ($=R\$250,000 - R\$195,000$). The accounting adjustment for these revaluation surpluses is to increase non-current assets and increase a revaluation surplus reserve, which is included as part of equity in the statement of financial position. This would be done with effect from 1 July 2026, which is the start of our financial year.

In contrast, the Goods Outwards Warehouse and Head Office properties will both have revaluation losses of R\$15,000 ($=R\$325,000 - R\$340,000$) and R\$60,000 ($= R\$200,000 - R\$260,000$) respectively. The accounting adjustment for these revaluation losses is to decrease non-current assets and also decrease profit. Effectively, the losses will reduce profit because these properties have not previously been revalued. Again, this adjustment will happen on 1 July 2026, which is the start of the financial year.

In our financial statements for the year ending 30 June 2027, we will also need to adjust the amount of depreciation that is charged for these properties. The new charge will be calculated for each property as its revalued amount divided by the remaining life of the property. Given that on 1 July 2026 there will be an increase in non-current assets from R\$1,720,000 to R\$2,075,000, the depreciation charge will be higher than previous years.

Depreciation of computer equipment

IAS 16: Property, Plant and Equipment is also relevant here and states that the depreciable amount of an asset (its cost less residual value) should be allocated on a systematic basis over its useful life. Further, the standard states that the useful life of an asset is based on the asset's utility to the business and that its useful life may be less than its economic life.

In our case, the suppliers have told us that the computer equipment has an economic life of 8 years. This represents the supplier's assessment of how long the equipment will be useful in total (irrespective of who or what is using the equipment).

However, to determine the equipment's useful life to SumTrix, and therefore how many years we should depreciate the asset over, we need to consider how many years we expect to use it. Based on previous experience of such equipment, we tend to replace every 5 years, hence this represents the equipment's useful life to us.

We should not depreciate the computer equipment over 8 years just because this spreads the cost over more years: useful life needs to be based on a proper assessment of how long the asset will be used, which, based on the above, is 5 years.

It is possible to change the useful life of an asset after the initial assessment if there is evidence that a different life is more appropriate. This would be known as a change in accounting estimate.

This would result in a change to the annual depreciation charge going forward which would be calculated as the carrying amount of the asset at the date of the change, less any residual value, divided by the new remaining life at that date.

Key performance indicators for North America Distribution Centre Manager

Inventory shrinkage

This would be measured as the value of inventory lost (which is the value of recorded inventory less the value of inventory physically verified) divided by the value of recorded inventory, expressed as a percentage. Inventory shrinkage may be caused by factors such as theft, incorrect despatch of items to customers or damage due to poor storage. All of this represents a loss to the business. The manager will be responsible for the security of inventory whilst at the Distribution Centre, as well as the despatch of items to customers, and therefore is accountable for shrinkage.

Unavailable items

This would be measured as the number of items unavailable on the website divided by the total number of items on the website, measured as a percentage. This could be measured on a daily basis. If an item is unavailable on the website, this is potentially a missed opportunity for a sale. Further, if items are regularly unavailable, this could damage our reputation with potential customers, also impacting sales and therefore profit. The manager will be responsible for the level of inventory held and so will be accountable for ensuring that there is sufficient inventory to satisfy orders.

Time for despatch

This would be measured as time between receipt of website order and time of despatch, shown on a rolling basis for the average of all orders on a weekly or monthly basis. This could then be compared to a target, for example 1 or 2 days, depending on any expectations that we may give customers on the website. It will be important that customers receive the orders in line with expectations as this is part of building good customer relationships. If a customer receives their ski order in a timely manner, they may be inclined to order again from the accessories range, which will increase our future profits. The manager is responsible for despatch and so meeting despatch time targets will be an important part of their role.

CIMA OPERATIONAL CASE STUDY
NOVEMBER 2025 & FEBRUARY 2026
EXAM ANSWERS

Variant 4

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

Treatment of the old press in the financial statements

We intend to take the old press out of service and sell it. Therefore, we need to determine the date on which it becomes an asset held for sale.

IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations, states that to be classified as an asset held for sale, an asset must meet certain conditions:

- The asset should be available for immediate sale in its present condition. On 15 May 2026, the press will be taken out of service. We plan to ask our normal contractors to service it on 1 June and assuming this happens, the old press will be available for immediate sale from that date.
- The sale must also be highly probable. This is accepted as being the case when:
 - o Management is committed to sell the asset. Diogo Santos plans to advertise the press for sale, so we can assume this condition is met.
 - o The asset is marketed at a reasonable price. Diogo Santos thinks that at the price of R\$9,000, it will sell within 6 months, so this condition is met.
 - o There is an active programme to find a buyer. Diogo Santos intends to advertise it for sale on 1 June so at the year end, this condition is met as long as he does so.
 - o The sale is expected to take place within 12 months. Diogo Santos thinks the press will take 6 months to sell which is well within the 12 months.
 - o It is unlikely that the plan to sell the asset will change. We can assume that the plan to sell the asset will not change given we are purchasing a new press.

Therefore, the old press becomes an asset held for sale on 1 June 2026. This means that it will be reclassified as an asset held for sale within current assets rather than part of property, plant and equipment and depreciation of the asset will cease. At 1 June 2026 we need to determine the value at which the asset will be recorded.

This is the lower of the press's carrying amount at the date of reclassification (which is R\$13,500 less 11 months of depreciation of R\$375 per month from 1 July 2025 to 31 May 2026, so R\$9,375) and fair value less costs to sell. The fair value is R\$9,000 less the cost to service the press of R\$1,200. Fair value less costs to sell will be lower than the carrying amount. Therefore, the asset will be recorded at R\$7,800 (=R\$9,000 – R\$1,200) at 1 June 2026. The difference between the carrying amount and the fair value less costs to sell will be charged to profit or loss.

If we do not sell the press before the year end of 30 June 2026, it will remain within current assets at fair value less costs to sell.

If we sell the press before 30 June 2026, we will record a disposal of the asset with any difference between the final selling price and its recorded value being included in the statement of profit or loss.

Treatment of new press in the financial statements

The new press will be recorded as part of property, plant and equipment (PPE) within non-current assets in our statement of financial position. We can do this as it is probable that economic benefits will flow to SumTrix because it will be used to produce adapted skis that we will then sell. In addition, we can reliably measure its cost as we have already ordered it; and finally, we will use the press within the business for more than 12 months.

IAS 16: Property, Plant and Equipment, states that expenditure on an asset can be capitalised if it is part of its purchase price (including non-refundable purchase taxes) or is directly attributable to bringing the asset to the location and condition where it will generate economic benefits. We can therefore capitalise the purchase price of R\$50,400 inclusive of the import taxes (assuming they are non-refundable), the installation charges of R\$750 and the delivery costs of R\$400 as these are all necessary to bring the asset to its present location and condition.

We cannot capitalise the training costs as our staff are free to leave the business. R\$1,250 must be expensed to profit or loss. The maintenance contract is an on-going expenditure and is not incurred to get the asset ready for its intended use. This too must be expensed to profit or loss. However, as this is paid in advance for a full year, a prepayment of $10/12 \times R\$1,750$ will be recorded in current assets with only 2 months being charged as an expense in the year ending 30 June 2026 representing May and June 2026.

Having established the measurement value of the press, we will depreciate it from the date the asset is available for use, over its useful life of 10 years. Annual depreciation will be calculated as cost (as established above) less any residual value, divided by 10. The depreciation will be charged to profit or loss and will reduce the carrying amount of the press in the statement of financial position. For the year to 30 June 2026, there will

be 2 months depreciation charged to represent the period from 1 May to 30 June 2026, assuming that the asset is available for use when delivered.

Time series information

What the time series information tells us

The trend line shows the demand for adapted outdoor equipment over the period from January 2022 to September 2025 after smoothing the data to remove the impact of seasonal variations. 2,250 units represents the sales in the base period. The second part of the equation represents the trend since this period. It shows that for each successive quarter sales are increasing at 175 units each quarter. Therefore, in quarter 1 (Jan to March 2022) the total sales were $2,250 + (175 \times 1) = 2,425$. For quarter 2 (April to June 2022) sales were $2,250 + (175 \times 2)$ and so on.

The seasonality has been determined using the multiplicative model. The multiplicative model (as opposed to the additive model) is used if like is the case here, rather than being roughly constant over time, the seasonal variations change relative to the level of the time series. This tells us by which percentage of the trend value Y, the sales are higher or lower in each quarter. For example, in January to March each year, sales are 40% higher than the trend value but during April to June in any year they are 55% lower than the trend value. This seasonality shows that the demand for winter outdoor adapted equipment is higher just before and during the snowy season with lower demand outside of these periods. Winter outdoor sports are seasonal activities, and the pattern of sales reflects this in the geographical areas that POP supplies.

Whether the information is useful

This information is useful to establish the potential pattern of sales of adapted equipment we may have for our new range. The seasonal variations are useful to establish at which times of the year we can expect more orders. This is important so that we can plan production resources effectively. It is also good to know that the demand for adapted outdoor equipment is rising.

However, POP supplies outdoor equipment used for skiing and snowboarding, ice skating, ice hockey and winter hiking. As we will only sell equipment for skiing, we need to know what proportion of sales relate to ski equipment. In addition, POP supplies Beeland, Europe and North America. Currently, we only sell within Reeland and Europe, so we need to know how many of POP's sales are to North America and deduct them. Once these have been determined, we don't know what proportion of the market we may be able to capture. POP is currently the main supplier of adaptive outdoor equipment and although we will be working with them, our sales volumes will likely be much lower.

Finally, we will sell mono-skis, bi-skis and tri-skis, each suited to a para skier with a specific need. The time series information does not tell us about the demand for this type of equipment so we would need to do more market research to establish the potential market for each type of product. Thus, the information is of limited use.

SECTION 2

Key performance indicators

Ski Production Coordinator (Adapted Range)

Supplier delivery timeliness:

This would be measured as the percentage of POP supplied components delivered on time during the period / the total POP supplied components supplied during the period, expressed as a percentage. As POP will supply the non-ski components of the range, it is important we receive these on time. Failure to deliver components on time will result in partially completed skis and outriggers being held up in production and ultimately delays to customers. This could impact on our reputation as the skis will carry the SumTrix brand. It measures the coordinator's ability to maintain effective communication and coordination with POP to ensure timely deliveries.

Adapted equipment quality compliance:

This would be measured as the number of pieces of adapted equipment that pass all quality control tests at the first attempt in the period / the total pieces of adapted equipment produced in the period, expressed as a percentage. This KPI evaluates how well the coordinator can work with production teams to align production and quality standards. This is important as rework due to failed quality testing results in additional time and cost.

Ski Sales Coordinator (Adapted Range)

Resolution rate percentage:

This would be measured as the number of retail partner queries resolved within a given timescale in a period / the total number of queries raised in a period, expressed as a percentage. This KPI is important as even though the coordinator will demonstrate the features of the new equipment to retail partners, there are bound to be queries, at least at the start. It is important that the coordinator is accessible to all our retail partners who stock the adapted equipment and resolve issues as quickly as possible.

Retail partners satisfaction rating:

This would be measured via a short survey sent to retail partners following training. The coordinator would be expected to demonstrate an overall average satisfaction score which would be pre-determined. As the coordinator is responsible for training the retail partners about the new equipment, they should be able to communicate the unique benefits and features of the range effectively. The survey should be sent out by the retail sales team the day after the visit from the coordinator.

Prioritisation of scarce labour resource

Schedule 1

There are not enough hours in April to produce all the budgeted production of outriggers due to staff sickness. Therefore, labour hours are a scarce resource, so we must utilise these hours as efficiently as possible.

The schedule shows the internal production costs of making each type of outrigger. This is split between variable costs and fixed costs. The variable costs consist of the raw materials, labour and variable overheads involved in making the ski base of the outrigger and the cost to buy in the top parts of the outrigger from POP. The bought elements are also variable as we incur this cost in direct proportion to the number of outriggers produced. Under the principles of short-term decision-making, fixed costs are not considered to change in the short-term and are therefore excluded from the relevant cost used to make this decision.

To decide which fully assembled outriggers to buy in from POP (and therefore which we should prioritise for production in house), we must apply the principles of short-term decision making. This will minimise the additional external purchase cost per unit of scarce resource. This is labour hours.

The additional external purchase cost per pair is calculated by comparing the relevant internal cost with the external purchase cost. Therefore, we compare the total variable cost with the external purchase price. For example, for the stand-up outrigger we compare R\$65.00+R\$150.00 with R\$300.00 to get an additional external variable purchase cost per unit of R\$85.00. The additional external variable cost for mono-ski outriggers is R\$115.00 for the bi-ski is R\$135.00.

However, these figures do not consider that labour time is a scarce resource. Therefore, we must divide the additional external variable cost per unit by the labour hours per unit to establish the additional external variable cost per labour hour. For the stand-up outriggers this is R\$170.00 (R\$85.00/0.5 hours), for mono-ski outriggers it is R\$191.67 and for bi-ski outriggers it is R\$142.11.

We should prioritise making the mono-ski outriggers as this costs the most per unit of scarce resource to buy in, then the stand-up outriggers then finally the bi-ski outriggers. The lowest additional relevant external cost to buy in per labour hour is the bi-ski and thus, we will buy these first.

Two possible implications

Externally supplied full outriggers supplied by POP will not have our designs and branding as we add this when we add the lower ski element. This may lower the quality of the product in the eyes of the customer as our designs are a unique selling point for us. Additionally, some pairs of outriggers we supply to our retailers will have our designs and branding on them and some will not. Retailers will likely not be happy with this, and we may have to discount them. We will also lose a chance to market our brand on the mountain.

In addition, we will have to consider the reliability of POP to supply us with fully made-up outriggers. As POP are based in Beeland, there may be a time lag between us placing the order and receiving outriggers. This may result in delays for customers which will cause customer dissatisfaction and may damage our reputation.

SECTION 3

Fixed production overhead variances

Fixed production overhead expenditure variance

The fixed production overhead expenditure variance is R\$7,500 adverse. It compares the budgeted fixed overheads with the actual fixed overheads for the quarter. It is adverse, which means that the Adapted Production Facility spent R\$7,500 more than the budget on fixed overheads.

There are several factors that probably contributed to this variance. An additional grinding machine was purchased in July, meaning that depreciation would increase for the quarter. The Ski Production Coordinator (Adapted Range) left the business in July, which would have lowered the fixed overhead cost. A new supervisor was appointed in August. We do not know the respective cost of the two posts. However, it is reasonable to assume the saving from the Ski Production Coordinator leaving was not enough to counter the impact of the new supervisor and the additional costs already identified.

Fixed production overhead efficiency variance

The fixed production overhead efficiency variance measures the efficiency of the absorption base, here labour hours. It is measured as the standard hours for actual production less the actual hours worked, multiplied by the standard overhead absorption rate per labour hour. The variance is R\$15,698 adverse meaning that for the actual number of products made, we used more labour hours than standard.

There is more than one probable reason for this. As previously mentioned, the Ski Production Coordinator left the business in July unexpectedly. Their remit included staff training in relation to the new range. When they left, they had not completed all the requisite training which may have slowed down workers as there was nobody to resolve issues, especially as the supervisor did not start until August (and they themselves would have taken time to become familiar with the range). Workers were transferred from other departments, whilst providing valuable experience, it does mean that they needed to learn how to make the adapted equipment. Other workers may also have been slowed down as they stopped to help others. The grinding machine was malfunctioning in July before the manufacturers were called out in August. This may also have slowed down workers.

Fixed production overhead capacity variance

The fixed production overhead capacity variance measures the capacity of the absorption base. It compares the original budgeted hours with the actual hours worked, multiplied by the standard overhead absorption rate per labour hour. The variance is R\$7,786 favourable, meaning there were more labour hours worked than budget reflecting an increase in the capacity of direct labour.

This is likely due to the significant overtime worked during the period and the additional workers seconded into the facility. The total efficiency and the capacity variance are the volume variance. This would be favourable and reflects the increased number of skis made in the quarter, compared to the budget.

Activity based costing (ABC)

Current approach

We currently use an absorption costing approach, whereby overhead costs are separated into fixed and variable costs, both indirect costs. A variable overhead varies in proportion to the number of products we make (for example the power used to run our machinery) and a fixed overhead does not. Fixed overheads include depreciation, the cost of supervisors and other fixed costs. We currently absorb overheads using an absorption rate based on labour hours.

Both types of overhead are absorbed into units (pairs of skis or one item of adapted equipment) based on labour hours. This is because there is assumed to be a causal link between the incidence of the overhead and the number of labour hours taken to produce that product. This may not be the case for all overhead costs.

ABC approach

An ABC approach differs in that we would first consider the production process and break it down into several different activities. Schedule 2 shows there are three main activities that take place in relation to the Adapted range, these are: pressing, grinding & polishing and assembly. For each activity we will identify the total cost of the overheads that are incurred for that specific activity. These are referred to as cost pools. Unlike our current approach, we will not have to split these between variable and fixed costs.

We will then consider what causes the overhead to be incurred, that is, what 'drives' each cost. Costs with the same cost driver are grouped together in the same cost pool. A cost driver rate will be calculated by dividing the total cost associated with the cost pool in the period by the total number of cost drivers to occur in the period. Overheads are allocated to products based on the occurrence of these cost driver rates. As cost drivers have a causal link to the costs incurred, there are benefits for planning and control.

If we were to apply ABC in relation to the adapted range:

Pressing: Each ski is assembled manually and then pressed. The press takes two skis at a time. To press a mono-ski will still require one press cycle as the press is set to the specific type and size of ski. The bi-ski will require only one press cycle, and the tri-ski will have to use two press cycles for each piece of equipment. Therefore, the most appropriate cost driver for pressing is the number of press cycles.

Grinding & polishing: Skis are ground and polished and then tested. There are two possible cost drivers. Each type of ski goes through a different number of grinding phases before the polish is applied. Therefore, the cost driver could be the number of grinding phases as each ski has the same number of layers of polish. We could also use the number of skis as the camber and stiffness are tested in relation to each ski. It may be possible to break down the activity into two cost pools. Alternatively, a choice of which has the greater causal link would have to be made.

Assembly: The skis are attached to the bought in upper components so that extensive testing can be conducted and then they are partially disassembled ready for packing. The greater the number of upper components there are to attach, the longer this will take. If each component takes about the same amount of time to assemble and then disassemble (which is unlikely given that the equipment is only partially disassembled), the number of upper components could be used as a cost driver. If the components vary in time to assemble and disassemble then labour hours could be used as the cost driver.

The overall result of implementing an ABC approach would be that each type of equipment would absorb fixed and variable overheads based on the above drivers. This would in turn change the amount of overhead charged for each product, more accurately reflecting the cost of producing the skis. This would help managers to make better decisions about the related activity costs.

SECTION 4

Relevant cost of the bid

To establish the minimum bid price, we must establish the relevant costs of the bid. A minimum price always excludes the profit margin and represents the minimum amount we can charge a customer to avoid making a loss. The relevant cost is incremental, future and cash based.

Taking each cost in turn:

Raw materials: The historical cost of the materials is not relevant as it is a sunk cost. The relevant cost is the replacement value as this is a future cost. Materials are in constant use and therefore to use them on the bid, we will have to replace them, which will cost R\$950.

Labour: The labour cost of R\$2,060 is not the correct value to reflect for the labour cost of the bid. As labour will have to be taken from making other skis, we must also account for the lost contribution of R\$165.80 per hour. The total relevant cost is R\$21.23 per hour added to the R\$165.80 multiplied by the number of hours required for the bid.

Variable overheads: As variable overheads are incurred in relation to the units produced, they are incremental costs. The R\$587 is a relevant cost.

Fixed overheads: Fixed overheads will not change in total because of the bid, therefore the R\$10,104 is not a relevant cost as it is not incremental.

Bought in components: These are included at budgeted cost. However, the future cost is 20% lower than this as POP has agreed to reduce the price for the bid. Thus, the relevant cost is R\$11,538 x 0.8.

Design costs: The design cost stated is too high. The design costs are relevant as they are a future cost. However, as all pieces of equipment will have one design, the cost should be R\$225 in total or whatever the design cost turns out to be as it could be higher than this.

Setting credit limits for Alpine Rush

When setting credit limits for a new retailer we need to consider both the size of the credit limit (that is, how much credit to grant them) and the credit term (that is, how long we will allow them to pay). To do this we must consider:

The size of the retailer

The credit limit will be determined based on the size of the retailer as this will determine the likely volume of demand from them. Alpine Rush only has 2 stores, and each store is generating less than half of the industry average revenue. However, Alpine Rush has only been trading since 2023 and is therefore relatively new. It is growing at an average of 16% compared to the industry average of 4%. Therefore, while orders could be quite low initially, it does look as if they may increase if they continue to trade and grow. Therefore, we should set a low credit limit initially and monitor it.

The risk of non-payment

We must also consider whether Alpine Rush will pay our invoices as they fall due. The higher the amount of credit we grant and the longer the credit terms, the higher our risk will be, so it is important for both considerations.

Using the information in Schedule 2 we can see that:

- Alpine Rush store inventory for 70 days compared to an industry average of 40 days. It seems it is struggling to sell the inventory it has. Perhaps it has taken the decision to stock its stores with ample inventory to give customers choice. However, as demand for skis and snowboards is largely seasonal, it could be that inventory is not being adequately controlled.
- Payables days, the average time it takes to pay invoices to suppliers, is 54 compared to an industry average of 35. This may be because Alpine Rush has managed to negotiate longer credit periods with suppliers. However, given it is a fairly new company, this seems unlikely. It is in overdraft to the sum of R\$250,000 and this suggests that the company is struggling to pay its bills on time. As we would be supplying Alpine Rush, this is a risk for us.

The high growth rate and issues described above combined with the overdraft suggest that Alpine Rush may be overtrading. Thus, if we are to grant credit, this should be for a small amount and monitored closely.

Rolling budgets

Rolling budgets are sometimes called continuous budgets as at the end of each accounting period (a month or a quarter), the latest period is dropped from the budget and a new accounting period is added to the end. For example, if the budget covers July to June, at the end of July, we would drop it from the budget and add the following year's July to the end. Rolling budgets are a more dynamic and flexible approach to budgeting. A rolling budget usually consists of 12 months. This contrasts with our current method of incremental budgets that consists of a fixed 12-month period and 'runs out' as we move through the year.

Improving motivation

A rolling budget could help improve motivation as it forces managers to look ahead continuously. In doing so, they become more accountable and engaged as they adjust budgets to changing conditions. This contrasts with the top-down approach we currently use where managers are not involved in setting budgets, and they are imposed by higher level managers. With a rolling budget approach, targets are likely to be more realistic and thus the managers should feel more ownership of them. This may help to improve motivation.

Improving control

A rolling budget is continuously updated and thus when conditions are subject to change, they can provide more accurate budgets, especially as lower-level managers

are more involved in setting up and monitoring them. Each period is reviewed, and future budgets are adjusted based on the outcome, thus, they can form part of a feed-forward system of control. As we have launched a new adapted ski range, we face uncertainty in terms of sales demand and so adopting a rolling budget would be beneficial.

Performance would be monitored against more accurate standards which improves control as variances are likely to be more meaningful. With incremental budgets, targets may be out of date. This may lead to less useful variance analysis.

CIMA OPERATIONAL CASE STUDY
NOVEMBER 2025 & FEBRUARY 2026
EXAM ANSWERS

Variant 5

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

Benefits of a digital costing system

Potential benefits of integrated internal systems

The ability to link our internal purchasing, sales and inventory management systems will allow us to reduce our inventory holding period. We expect that, without a digital costing system, inventory days will increase to 65 days from 45 days, perhaps because the expected increase in supplier lead time will result in us holding a higher level of buffer inventory to avoid stock-outs. If our sales, purchasing and inventory management systems are integrated, we can be more nimble and reactive to changing patterns in sales orders, especially if predictive artificial intelligence is embedded within the system. Lower inventory days will reduce the costs of holding inventory (such as storage and insurance costs) which will increase profits.

Integrating the systems will also allow us to reduce the risk that inventory items become obsolete, get damaged or become end-of-line. Table 1 indicates that we expect that end-of line products will need to be discounted by 60% of normal retail price, which will possibly mean that we will be selling such items at a loss overall. More dynamic and focused purchasing and control of inventory from integration should reduce this need for discounting.

Greater automation between internal systems will also reduce hard copy paperwork, lead to efficient flow-through of products, better coordination, less bureaucracy and therefore less cost. It will also allow us to record and monitor costs (such as storage and delivery costs) and the activities driving those costs (such as number of goods in deliveries) in far more detail than we currently do. This in turn will allow us to improve control over costs and to eliminate any unnecessary activities.

Potential benefits of automated external links

Having automated external links would allow us to gather information about available accessories and accessory prices from the internet in real-time. At present, we update budgets and standard costs only once a year for all products including accessories. If we used a digital costing system, we could update these costs as changes occur. This would allow for more meaningful performance measurement, but perhaps more importantly would allow us to react more quickly and appropriately to changes in costs. For example, we might change suppliers or consider alternative items.

Table 1 shows that we expect the number of product lines and suppliers that we use to increase considerably over the next year as the accessories range is expanded. However, the benefit of being able to have automated external links is that we could potentially have access to an even higher number of suppliers and have a better understanding of the products available. This would mean we could more easily identify and source new product lines. This might focus on cheapest cost for some of the more basic and generic product lines in the range. Alternatively, the focus could be new product lines and suppliers with sustainability and design at their core, to fit with our own ethos. This would be especially relevant for the new clothing range.

Linking with the internet will also allow us to understand more about what our competitors are doing in terms of product lines and pricing. Having this information increases our ability to engage in dynamic pricing where we change our pricing to reflect what is happening in the market, which ultimately makes us more competitive.

Having automated links with all of our suppliers could lead to a significant reduction in lead time. Without a digital costing system, we anticipate our lead time to increase over the next year to around 15 days as we bring in new suppliers, presumably as a result of where those suppliers are located. With a digital costing system and automated links, we could potentially reduce this significantly as information will be free flowing and two way. This would allow us to be more responsive to changes in sales trends. There are also benefits of having automated links with our retailers. For the first time we will be selling our accessory range to retailers and having automated links with these retailers will allow us to understand their buying intentions in real time and ensure that we have sufficient inventory to satisfy orders as they arise.

Accounting treatment of the lease

Lease liability

In accordance with IFRS 16: Leases, the lease liability will initially be measured and recorded at the present value of the lease payments that are unpaid at the commencement of the lease, which is 1 January 2026. The discount rate to use should be the interest rate implicit in the lease, or the normal borrowing cost where that is not available. The unpaid lease payments exclude any payment made on 1 January 2026 but include future fixed lease payments and any amount expected to be paid by the lessee under a residual value guarantee.

For this lease, the lease liability will be initially measured as R\$115,000 (which is the present value of all fixed lease payments of R\$140,000 minus the initial payment of R\$25,000) plus the present value of the amount expected to be payable under the residual value guarantee. This final amount will be the difference between the

guarantee amount of R\$80,000 (which represents the value of the forklifts at the end of the lease term that we are guaranteeing) and R\$65,000, which is the expected residual value on that date.

For the year ending 30 June 2026 the lease liability will be increased by a finance charge of 10% of the initial lease liability, pro-rated to reflect the fact that 6 months of interest will relate to this financial year. This will be charged to profit or loss and reduce profit for the year. At 30 June 2026, the lease liability will be split into a current liability and a non-current liability, with the current liability representing the amount of capital that will be repaid in the following financial year.

Right-of-use asset

The right-of-use asset will initially be measured at the initial measurement value of the lease liability plus any lease payment made at the start of the lease plus any direct costs incurred by the lessee. As payments for this lease are in advance, the initial value of the right-of-use asset will be the initial lease liability plus the initial payment of R\$25,000 plus the lease arrangement fee paid on 1 December 2025 of R\$10,000.

The right-of-use asset will be depreciated in line with the principles of IAS 16: Property, Plant and Equipment. Because the lessor will own the forklifts at the end of the lease term, the depreciation period will be the lower of the lease term and the useful life of the asset and therefore 5 years.

For the year ending 30 June 2026, this will result in 6 months of depreciation being charged to profit or loss with the initial value of the right-of-use asset reduced by depreciation. Depreciation will be for 6 months because the forklifts are available for use and indeed will be used from 1 January. The asset will be included as part of non-current assets.

Insurance premium

The annual insurance premium payable on 1 January 2026 is not part of the lease liability or right-of-use asset. Instead, this is an on-going annual cost that will be charged to profit or loss. For the year ending 30 June 2026, the amount charged to profit or loss will be R\$3,400 x 6/12. The remaining amount will be recorded as a prepayment within current assets in the statement of financial position.

SECTION 2

The importance of budgets

Preparing budgets for the new Distribution Centre is important for the following reasons.

Planning: Budgets are a plan for the future and will be driven by the principal budget factor, which is likely to be the volume of accessory and clothing sales. To create the plan requires consideration, based on anticipated sales volumes, of the resources needed to operate the new Distribution Centre. These resources include the amount of equipment such as forklifts, the number of staff and the level of inventory that will be required to satisfy sales orders. Being involved in the budgeting process will assist you to ensure that adequate resources are in place.

Coordination: Budgets will also allow you to coordinate activities within the new Distribution Centre. Sales budgets will be used to create purchasing budgets for each of the accessory and clothing lines, taking into account the anticipated inventory levels required. Without coordinated budgets, those managers responsible for purchasing may over order leading to excessive inventory levels that are costly to store. Alternatively, purchasing managers may not order enough, leading to stockouts and lost sales.

Communication and motivation: Budgets are a way to communicate targets to managers and employees within the Distribution Centre. Budgets can also be a useful device for influencing managerial behaviour and motivating managers to perform in line with the company's objectives. For example, if employees are aware of a target for the time anticipated to pick and pack a website sales order (which would be reflected as a standard within the budget), they will be motivated to achieve this, especially if achievement of targets is rewarded with bonuses of some description.

Control: Budgets provide the plan against which you will be able to compare actual results in the future. For example, if we set a standard for the cost of a ski jacket or a pair of goggles and we end up paying more, this will be identified as an adverse price variance, which the purchasing manager could be held accountable for. Alternatively, if employees take longer than the standard time for picking and packing website orders, this could be identified as an adverse efficiency variance and investigated. Understanding that there is a difference to the plan allows you to take corrective action if required to bring costs back in line with the plan.

Choice of ski jacket supplier

Risk neutral

Using a risk neutral approach to this decision, we would choose the contract which would give us the highest expected value. Expected value is the weighted average outcome (weighted by the probability of each outcome's occurrence) and therefore for this decision represents the long run average profit that we can expect.

We would therefore choose contract 2, which has the highest expected value of R\$77,000. This is the second contract offered by SlopeWear, which is the contract without the need for us to fund the specific promotional campaign.

Risk seeking

Using a risk-seeking approach to this decision, we would choose the contract which would give us the best outcome, regardless of the probability of that outcome happening.

The best outcomes for each contract are where there is a good market reaction. These best outcomes are R\$128,000 for contract 1, R\$117,000 for contract 2 and R\$84,000 for contract 3. We would therefore choose contract 1, which is the SlopeWear contract with the specific promotional campaign as this would give profit after campaign costs of R\$128,000.

Risk averse

Using a risk-averse approach to this decision, we would choose the contract which, given the same level of expected return, has the lowest level of risk. We would use the coefficient of variation and choose the option with the lowest measure because this represents the amount of risk for each R\$1 of expected return.

The coefficients of variation are 0.52 for contract 1, 0.33 for contract 2 and 0.17 for contract 3. We would therefore choose contract 3, which is to use WarmTech to supply ski jackets as this is the lowest measure of risk.

Limitations of using these approaches and the information

As noted above, using a risk neutral approach means that the decision is based on expected value. Expected value represents the long run average outcome assuming that a decision is taken many times, however this is a one-off decision. We will only need to choose the supplier once this year, and presumably next year, contract terms will be different. Additionally, the possible outcomes for contract 2 range from R\$50,000 to R\$117,000 and none of the possible outcomes corresponds to the expected value of R\$77,000.

A risk neutral approach ignores risk. Using this approach, we would choose contract 2, however this ignores the fact that there is only a 40% chance that contract 2 will give the best outcome (which is for a moderate reaction). A risk seeking approach ignores the probability associated with the option chosen. Using this approach contract 1 is chosen, even though there is only a 20% chance of this happening (because this is the chance of a good reaction). A risk-averse approach does consider risk; however, it results in choosing contract 3 which has the lowest possible outcome if there is either a good or moderate outcome and there is a 60% chance that this will happen.

The information used to create Table 1 is based on estimated sales volumes for each of three market reactions for each of the three contracts, leading to nine possible outcomes. This is probably an oversimplification of the possible outcomes achievable given that we will be expanding the range considerably and have no experience of how well the new items in the range might sell. Also, the probabilities are our own estimates, and again due to our lack of experience with these new items, may not be realistic.

Perfect information

The first factor to consider is whether it is financially worthwhile. The value of perfect information of R\$3,800 represents the difference between the weighted average of the best outcomes for each market reaction (so R\$128,000 for good, R\$84,000 for moderate and R\$54,000 for poor) and the highest expected value of R\$77,000. This represents the maximum amount that we would be prepared to pay for this perfect information. Given that the cost of obtaining the information is R\$3,000, it would potentially be worthwhile buying this information. However, the difference of R\$800 is not significant given the absolute amount of the possible outcomes.

Another factor to consider is our risk attitude. Using a risk-neutral approach we would base our decision on the above financial analysis. However, taking a risk-seeking approach, we would not be concerned about the likelihood of an outcome occurring and would be prepared to take the risk that the best outcome happens. Thus, we would not be interested in purchasing the information, despite the fact that it might stop us achieving the lowest profit if the market reaction is poor. If we take a risk averse approach, we are likely to be happy to pay for the perfect information because this would eliminate risk from the decision altogether.

Irrespective of the decision approach, another factor to consider is the quality of the information that we would be buying. Perfect information infers that we would have 100% certainty about the market reaction and will choose the option that would give us the best outcome for that market reaction. However, 100% certainty is unrealistic given that there are so many variables that will affect the reaction, including the strength of the economy over the year and how our brand will be received for the new items in the range.

SECTION 3

What-if analysis

Option 1

Option 1 is for a 4% decrease in average selling price, which we would expect to increase sales volume. Table 1 shows that a 4% decrease in average selling price will lead to a 5.6% increase in sales revenue, which means that the impact of the increase in sales volume outweighs the impact of the decrease in average selling price. There will also be a 10% increase in variable costs, which, given that variable cost per unit is unchanged, means that we are assuming a 10% increase in sales volume. This increase in sales volume will increase both revenue and variable costs by 10%, but the decrease in average selling price will also reduce revenue.

Overall, there is a 2.1% increase in contribution in absolute terms. The contribution margin per unit will fall as a result of average selling price decreasing and variable cost per unit staying the same. In absolute terms, the impact of the increase in sales volume outweighs the impact of this reduction in contribution margin. Table 1 shows that fixed costs will be unchanged (and therefore there is no step up in fixed costs arising from the additional volumes). As a result of this the increase in profit of 5.7% is higher than the increase in contribution of 2.1%.

Option 2

Option 2 is for a R\$200,000 increase in promotional spend, which we would also expect to increase sales volume. Table 1 shows that an increase in promotional spend of R\$200,000 will increase volumes sold by 12% because this is how much both revenue and variable costs are expected to increase by.

With this option there is no impact on the contribution margin per unit, because both average selling price and variable cost per unit are unchanged. Therefore, contribution in absolute terms also increases by 12% which is purely because of the increase in sales volume. However, fixed costs are expected to increase by R\$200,000 because of the additional promotional spend. This results in a bigger deduction from contribution and ultimately a decrease in profit compared to the draft budget. This is because in absolute terms the increase in fixed costs outweighs the increase in contribution from selling more.

Factors to consider before using this what-if analysis

This what-if analysis indicates that:

- Option 1 would make sense because a decrease in average selling price by 4% would lead to higher profit than the draft budget.
- Option 2 would not make sense because a R\$200,000 increase in promotional spend would lead to a lower profit than the draft budget.

However, the following factors need to be considered before a decision is made about which option should be implemented:

- We need to consider the relationship between sales volume and the changes that we are proposing. Modelling scenarios where a decrease in average selling

price or an increase in promotional spend increases sale volume makes sense, because we would expect this to happen. However, there will be significant uncertainty surrounding how these proposals will affect sales volume, given that we will be selling a lot of new product-lines and increasing sales channels to include retailers. We need to consider the probability that a 4% decrease in average selling price will lead to a 10% increase in sales volume or that a R\$200,000 increase in promotional spend will increase sales volume by 12%. We might want to extend the analysis and model each option against different changes in volume.

- Linked to this, we also need to consider that this what-if analysis is simplistic, because it is looking at the average position across all product-lines. It may be possible that for some product-lines, where there is less competitive pressure, sales volume will increase by more than the predicted amount with additional promotion or a decrease in selling price. We might want to undertake more detailed analysis at a product level, to better understand the impact of the proposed options.
- We also need to consider whether the assumption that variable cost per unit will not change is sensible. If sales volume increases, we may be able to take advantage of bulk purchase discounts, which would decrease the variable cost per unit. Alternatively, increasing volumes could result in extra overtime or increases in other variable costs, which would increase the variable cost per unit.
- Linked to this, we also need to consider our estimate of fixed cost. Given that the Distribution Centre is new, there will be considerable uncertainty surrounding the level of fixed cost that will be incurred even in the draft budget. Can we be sure that an increase in sales volume won't lead to a step in fixed costs? For example, there may be additional supervisory costs or storage costs from the centre handling a greater volume of sales.

Ordering policy

Chart 1

Chart 1 shows that 200 ski helmets are ordered each time that an order is placed. On receipt of this order quantity, inventory is replenished and this happens in week 8, week 16, week 24 and week 32 in the chart (every 8 weeks in accordance with the current policy). The orders will have been placed 2 weeks before receipt (so week 6, week 14, week 22 and week 30) to reflect the supplier's 2-week lead time.

The chart also shows that sales of helmets are not consistent, because the reduction in inventory is not even throughout an 8-week period. There is also a lack of consistency between each 8-week period. In the first 8-week period (July and most of August) sales are relatively flat, which corresponds with the seasonal nature of our sales, with this being outside of ski season. Sales appear to pick up in the second 8-week period (end of August, September and into October) as inventory levels fall more rapidly. Sales are perhaps at the highest in the third 8-week period, which corresponds with peak ski season.

Chart 1 also indicates that there were stockouts in the third and fourth 8-week periods because inventory in weeks 23 and 31 is zero. In these weeks, helmets must have been showing as out-of-stock on the website and therefore we may potentially have lost sales.

The suitability of the economic order quantity (EOQ) model

The EOQ, if calculated, would represent the number of helmets that should be ordered each time an order is placed with the supplier. It would be the order quantity where the total of the costs of ordering and holding inventory were minimised and therefore would be the optimal order quantity.

The EOQ model is based on a number of assumptions: demand is constant and known with certainty; lead time is also constant and known with certainty; the purchase price is known and constant and holding costs vary with the level of inventory. As it minimises the total costs of ordering and holding inventory, the EOQ would be a good model to use for ski helmets or other product lines, if all of these assumptions apply.

As noted above, Chart 1 indicates that demand for ski helmets is not constant across the period. Given the seasonal nature of our sales in relation to the ski season, it is likely that this is also true for all other product lines. The model also assumes that we know annual demand with certainty. For our existing products (goggles, poles, helmets and gloves), we may be able to forecast annual demand with some accuracy based on past experience. However, we will soon be selling these items to retailers as well as through our website and so this adds uncertainty. For all of our new products, annual demand is going to be highly uncertain, as we have never sold these types of products before.

Our ski helmet supplier has a 2-week lead time and this means that orders are placed 2 weeks before inventory is replenished. However, we need to consider how reliable this lead time is for this supplier, but also for the suppliers of all the other product lines. If lead times are not reliable, we can decide to hold a buffer level of inventory. This will increase holding costs (and therefore will not optimise the level of costs) but will help to protect us from the stockouts seen in Chart 1.

In terms of purchase price, this will not be constant if bulk purchase discounts are available. We can evaluate whether any discount is worthwhile by comparing the total of purchase cost, holding costs and ordering costs at the minimum bulk order quantity and the EOQ. However, if a bulk discount is deemed worthwhile, this would mean ordering based on the minimum order quantity to achieve the discount rather than the EOQ.

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

Overall, given that most, if not all the assumptions of the EOQ are unlikely to hold for ski helmets and the other clothing and accessory lines, it would appear that this is not a suitable model to use. If we use the model, we run the risk of running out of inventory, leading to stockouts and lost sales. Alternatively, we could end up holding too much inventory and run the risk of the ski helmets and other items being damaged in storage or becoming end-of-line models that need to be sold off.

SECTION 4

Sales variances for website sales of ski jackets for February to April 2026

Sales price variances

The sales price variances for Felix and Freddy are adverse, which means that on average across the period, actual selling price per jacket was lower than our standard selling price per jacket for both models. One reason for both variances is the special discount that was not included in the standard and which will have reduced the selling price achieved where customers spent more than R\$250 and ordered more than two items. In addition, for Felix, the selling price was reduced as a result of a competitor launching a similar jacket at a lower price, and this has not been reflected in the standard.

The sales price variance for Franz is favourable, which means that on average across the period, actual selling price per jacket was higher than our standard selling price. It is possible that the special discount had less of an impact on sales of Franz because of its higher selling price. It would appear that any impact from this discount was outweighed by the impact of the new design, launched in March, that was sold at a higher price.

Sales mix profit variances

The sales mix profit variance has been calculated using the weighted average method. The meaning of each variance is as follows:

- The adverse variance for Felix means that we sold proportionately more of this model which has a lower gross profit per unit (R\$80.00) compared to the weighted average (R\$97.50).
- The adverse variance for Freddy means that we sold proportionately less of this model which has a slightly higher gross profit per unit (R\$100.00) compared to the weighted average (R\$97.50).
- The favourable variance for Franz means that we sold proportionately more of this model which has a higher gross profit per unit (R\$150.00) compared to the weighted average (R\$97.50).

This change in mix (proportionately more Felix and Franz and less Freddy) has resulted in R\$1,612 of additional profit during the 3 months. One reason for a proportionate increase in Franz sales is the celebrity endorsement. We know that there was a favourable price variance and therefore the new Franz design must have been popular. A reason for a proportionate increase in Felix could be the result of the reduction in selling price. Perhaps the impact of the competitor jacket was not as significant as first thought. In addition, this period represents the first 3 months of sales for ski jackets and therefore the standard mix is possibly incorrect.

Sales quantity profit variances

The sales quantity profit variance is favourable, which means that in total we sold more ski jackets than budgeted in the standard mix. One reason for selling more ski jackets overall is the colder than average weather in April, given that we market our clothing as all-purpose cold weather clothing as well as for skiing. In addition, the special discount and the reduction in the selling price of Felix could also have resulted in an increase in sales.

Planning and operational variances

When we set our standard selling price for the Felix ski jacket this will have been based on the competitive environment at that time and any actions that we might have expected to take, such as providing planned discounts to boost sales. However, sometimes the competitive environment changes (for example, because a competitor launches a new product) or our planned actions change (for example, the reduction in selling price or the special discount) and therefore it is important that we are able to reflect this in the variance analysis.

A planning price variance represents the difference between the original standard selling price and a revised standard selling price, where the revised standard reflects changes to the environment or actions taken, that are outside of the control of the person held accountable for the variance. An operational price variance represents the difference between the revised standard selling price and the actual selling price, and this is controllable by the person held accountable for the variance. It is therefore operational variances that are most important to investigate on an operational level.

Whilst we can define each type of variance, it can be difficult to determine what is a planning issue and therefore is adjusted for in the revised standard and what is an operational issue. For example, it could be argued that the reduction in the Felix selling price should be reflected in the revised standard. This is because our plans changed because of a competitor launching a new ski jacket similar to the Felix. Alternatively, we could take the view that management should have anticipated a competitor launching a similar product and that this change in price is an operational rather than a planning issue.

KPIs for digital marketing

Engagement rate

This would be measured as the number of likes, comments or shares for each social media post or advert. It would be an absolute number which would be compared to a target set by management.

If the public is liking, commenting on, or sharing social media content, this means that they are taking notice of, and engaging with, that content. Likes and shares are positive indicators that the public is engaged and high engagement often correlates with strong brand loyalty, ultimately leading to sales. Tracking comments is also important (positive and negative) as this gives insight into how our target market perceives our brand.

Click through rate

This would be measured as the number of people clicking through to our website from a social media post or marketing email divided by the number of posts or emails viewed, measured as a percentage. Again, this could be compared to a target set by management.

If a person is clicking through to our website, this indicates that the post or the email was enticing enough to warrant a further look at the details on the website. Clearly, the more people that view the website, the greater our opportunity to promote ourselves and our products. Also, social media and email marketing are expensive and therefore this is a measure of the effectiveness of the marketing in drawing people to the website.

Conversion rate

This would be measured as the number of people making a purchase after clicking through from a social media post or email divided by the number of people clicking through, measured as a percentage. Like above, this would then be compared to a target set by management.

The ultimate aim of social media and email marketing is to generate sales on our website. Therefore, whilst we want as many people as possible to click through to our website from social media and email marketing, ultimately, we also want these people to make a purchase. The conversion rate gives us an indication of how successful our marketing has been in generating sales.

CIMA OPERATIONAL CASE STUDY
NOVEMBER 2025 & FEBRUARY 2026
EXAM ANSWERS

Variant 6

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

Variances for the Custom Department for the 5 months to November 2025

Sales variances

The sales price variance is R\$4,000 adverse, which means that on average, during the period, selling prices for our custom skis were lower than expected. This will be due to the unplanned discount in September in response to our competitor launching its own custom ski service.

The sales volume variance is R\$12,868 adverse, which means that over the 5-month period we sold fewer custom skis than we planned to. This is by far the largest variance which indicates that the decrease in volume is quite significant. It's possible that some customers that would have come to us used the custom services of our competitor instead, and were not persuaded by our discount. In addition, there was lower than expected production during the period, which given that custom skis are made to order, means that demand was lower across the period. There could have been external factors affecting demand, such as recessionary pressures lowering the disposable income of potential customers or a reduction in the popularity of skiing.

Raw material variances

The composite raw material price variance is R\$1,024 adverse which means on average across the period, the actual price of composite was higher than our standard price. A new type of composite was used from September and therefore the price of this new type of composite must have been higher than our standard price. Given that the new type of composite is more malleable, which means we need fewer layers, it is perhaps better quality than the old type of composite, hence the increase in its purchase price.

The composite raw material usage variance is R\$825 favourable which means that on average across the period, the department used less composite than expected, based on our standard, for the actual number of custom skis produced. Fewer layers of the composite are needed for each ski than for the old composite and therefore it makes sense that during the period the department used less composite than expected based on the standard.

Direct labour variances

The direct labour rate variance is R\$1,960 adverse which means that on average across the period we paid more per hour for our direct employees than we expected to, based on our standard. Near the start of the period (in August) two junior direct employees left and were replaced by experienced employees. It would appear that these more experienced employees are paid at a higher rate than the junior employees.

The direct labour idle time variance is R\$637 adverse which means that we paid our direct employees for hours when they were not being productive. We don't budget for idle time and hence this variance is always adverse. The training that occurred in September on how to use the new composite will have contributed to this time, as the employees will have been paid whilst the training occurred.

The direct labour efficiency variance is R\$680 adverse which means on average during the period, our direct employees took more productive time than we expected them to, based on our standard, for actual production of custom skis. This is likely due to the new composite which requires longer pressing time and more time for grinding, both of which will increase the time taken by the employees. Using the new composite might have also slowed employees to start with as they got used to it, although fewer layers would need to be cut (which would have reduced the time taken and therefore counteracted this adverse variance to some degree).

Variable overhead variances

The variable overhead expenditure variance is H\$817 favourable which means that on average across the period, the department spent slightly less on variable production overhead than standard for the actual level of production. There are two reasons for this. Firstly, less overtime premium was incurred than planned due to lower production volumes. Secondly, the solar panels were upgraded resulting in greater generation of self-generated power, which is less costly than power bought in from the national grid.

The variable overhead efficiency variance is R\$375 adverse which means that on average across the period, actual production took more direct employee hours than expected based on the standard. The reasons for this are the same as for the direct labour efficiency variance, given that the absorption base is direct labour hours.

Review of KPIs for the Custom Department for the 5 months to November 2025

% Composite waste

It is appropriate to monitor the percentage of composite waste against a target because any wasted composite represents a cost that ultimately affects the amount of profit the company generates. Additionally, controlling waste is part of sustainable production, which is embedded in our ethos.

Because we cut ski layers out of sheets of composite, there will always be waste, which is why the target is set at 10%. The KPI dashboard indicates that the level of waste peaks in September and is higher than target. This corresponds with the month that the composite was changed and employees were trained to use it. It's possible that the composite used for the training is included in the waste recorded for September. It is also possible that once production started with the new composite, that waste levels were higher than expected because of employees getting used to it. It is good to see that in October and November the waste percentage is lower than target and falling.

% Electricity used that is self generated

It is appropriate to monitor the percentage of electricity used that is self generated because self generated power is cheaper than power purchased from the national grid. In addition, and perhaps more importantly, because power generated by solar panels is from a renewable source, using a higher percentage of this self generated power improves the sustainability of our operations.

The dashboard indicates that we expect to have 50% of the power used in the Custom Department to come from self generation. Before the solar panels were upgraded in August, the percentage of self generated power was lower than this target, however from September onwards the percentage is higher than target. This indicates that perhaps the solar panels were not operating optimally before the upgrade and hence why the upgrade was required.

Direct labour idle time

It is appropriate to monitor idle time (both as a percentage of paid time and the reasons for idle time) because idle time represents time that is paid for where employees are not productive, which is therefore a cost to the business. Tracking idle time and the reasons for it allows management to take corrective action where needed to better utilise direct labour.

The dashboard shows that the target for idle time is 0%, because we do not include idle time in our standards. This indicates that we are setting an ideal standard, rather than a realistic standard, as we might always expect some unproductive time due to necessary training or factors such as machinery break-down which are outside of the control of the employees themselves. The level of idle time peaks in September, which corresponds with the training for the new composite. This also ties in with the pie-chart which shows that over the 5 months, 60% of idle time was due to training.

The pie chart also gives us the other reasons for idle time and perhaps the most concerning is the 16% due to no available work. This is perhaps the result of lower sales than expected.

SECTION 2

Marginal costing

Under-absorption adjustment

In absorption costing, product cost includes an element of fixed production overhead. Therefore, the values of opening inventory, production cost and closing inventory included in the statement for November include fixed production overhead. The amount included is based on a predetermined absorption rate set at the start of the financial year, calculated by dividing the budgeted fixed overhead for the year by the budgeted absorption base for the year. In our case, the absorption base is direct labour hours.

Because this predetermined absorption rate is based on budgeted figures and is set at the beginning of the year, it is likely to be inaccurate. We could incur more or less fixed overhead than budgeted or we could use more or less direct labour hours than budgeted. As a result of this an adjustment is required each month reflecting the difference between the amount of fixed production overhead absorbed (calculated as the predetermined absorption rate x actual direct labour hours for the month) and the actual amount of fixed production overhead incurred for the month.

For November there is an under-absorption of R\$8,000. This means that we absorbed R\$8,000 less fixed production overhead than the R\$244,000 actually incurred and this under-absorption has to be deducted to decrease profit. In November, actual fixed production overheads are R\$14,000 higher than budgeted, and this would lead to an under-absorption of overhead. The fact that the end adjustment is R\$6,000 lower than this indicates that the impact of the difference between actual and budgeted direct labour hours has led to an over-absorption. This would indicate that more direct labour hours than expected were worked in November.

How the statement would be different with a marginal costing approach

The key difference between an absorption costing approach and a marginal costing approach is the way that fixed production overheads are dealt with. As noted above, in absorption costing fixed production overheads are absorbed into each unit of production using a pre-determined absorption rate. With marginal costing, fixed production overheads are treated as a period cost and expensed to profit as they are incurred.

If marginal costing were used, opening inventory, production cost and closing inventory amounts would all be lower than the current statement amounts because there would be no fixed production overhead included in product cost. The net of these lower amounts deducted from the sales revenue of R\$1,580,000, would be equal to contribution, which would be shown in the statement.

In a marginal costing statement, the actual fixed costs of R\$244,000 would then be deducted from the contribution figure, to give gross profit for November. There would

be no under- absorption adjustment as there would be no fixed production overheads included in the product cost.

In November, the statement shows that the value of opening inventory is higher than the value of closing inventory and hence inventory has decreased in the month. This means that in November, under absorption costing, less fixed overhead is being carried forward in the closing inventory value than is being brought in within opening inventory. If we used marginal costing, there would be no carrying forward or bringing forward of overhead. As a result, in November, stated gross profit would be higher with marginal costing.

Arguments for and against using marginal costing

An argument for using marginal costing is that it is easier to use compared to absorption costing. This is predominately because there is no need to establish fixed production overhead absorption rates which can be time consuming. In addition, these rates are arbitrary because they are based on budgeted figures, which are subject to change, and assume that the overheads are caused by direct labour hours, which might not always be the case. Further, there is no over- or under-absorption adjustment, which as noted by Julian, is difficult to understand.

Another argument for using marginal costing is that it is consistent with the approach needed for short-term decisions. In the short-term, fixed costs are not expected to change with the level of activity, and therefore production decisions affecting the short-term should reflect only variable costs of production, because fixed costs will be incurred regardless. For example, if we need to decide on a level of discount to offer or whether to outsource an element of production in the short-term, marginal costing gives us the information to help us make these types of decision.

The main argument against using marginal costing is that absorption costing gives us an idea of the full cost of making each pair of our skis. Knowing full cost helps when deciding on prices for any new type of ski that we might launch and especially important when setting prices for Custom ski orders. It also keeps all costs visible and potentially easier to control as a result of this.

Relevant costs of the SumTrix Live event

The relevant costs of the decision whether to proceed with the SumTrix Live event will be the incremental, future cash flows that will arise as a result of proceeding with it. This excludes any costs which have already been incurred or are committed.

Venue

The cost of hiring the outdoor ski venue is R\$35,000, of which R\$5,000 has already been paid as a deposit. Because this deposit is non-refundable, this is a sunk rather than a relevant cost. Whether the remaining R\$30,000 is a relevant cost will depend on the terms of the hire contract. If the contract stipulates that we are committed to pay all or part of this remaining fee, this will not be relevant, because the payment

will happen regardless of whether the event proceeds. Therefore, we need to review the contract to ascertain the position here. Only the expenditure that would be saved if the event did not happen would be a relevant cost.

Freestyle riders

The fees payable to the three freestyle riders of R\$2,000 each, will be relevant because these will only arise if the event happens and are therefore future and incremental. The pairs of skis gifted to the riders will be taken out of inventory, which will need to be replaced. As such, the relevant cost of this will be incremental costs associated with producing three new pairs of ski. This will include the variable costs of production (raw materials, direct labour and variable overhead) based on current prices (rather than standards). This will need to be determined.

Employee costs

There will be no relevant cost for using sales team members at the event because these employees are all salaried and will be paid regardless of whether the event happens. It is more complicated for the direct production workers who will be acting as stewards. For these employees the relevant cost will include the number of hours at the event multiplied by the wage rate, because these will be extra hours worked. In addition, the cost of the health and safety training and the additional overtime will also be relevant costs because presumably this will only happen if the event goes ahead.

Promotional items

Some of the woolly hats that we are going to give away as promotional items at the event are already in inventory at their original cost of R\$5 each. The original cost of these items is irrelevant as this has already been incurred and is therefore a sunk cost. There appears to be no alternative use for these hats at the moment, and as such the relevant cost will be nil on that basis. We will need to consider whether there are any opportunities to sell the hats, which might give us an opportunity cost in terms of any revenue forgone as a result of using the hats for this event. The other 1,500 hats will need to be bought in and this represents a future incremental cash flow. Given that there is minimum order quantity of 1,750, the relevant cost will be the full cost of buying this number of hats at R\$7 per hat.

SECTION 3

Zero based budgeting (ZBB) approach for Custom skis additional promotional campaign

With ZBB a budget starts from a zero base and is built up based on appropriate justification (using cost benefit analysis) of each element of budgeted expenditure. Firstly, we need to establish the objective associated with the expenditure (that is what we want to achieve), then develop decision packages (essentially different ways of achieving the objective) and finally rank the decision packages using cost benefit analysis.

This budget is for the promotion of our Custom skis. The reason for the expenditure (that is, the objective) is to build awareness and interest in Custom skis to increase sales and generate profit. Having established the objective, the next step is to develop decision packages, which are an analysis of the costs and benefits of different ways of achieving this objective.

Decision packages can be incremental or mutually exclusive. Incremental packages start with a base package, which represents the minimum level of activity required to achieve the objective. Add-on packages are then developed which are incremental to the base package and increase the level of activity.

In this situation, the base package will be for a basic campaign to promote Custom skis. This could incorporate Julian Fischer's suggestion of advertising in specialist skiing magazines. This would reach those people already interested in skiing, who may not know that they can buy custom made skis from us. However, it would not reach the wider public.

The add-on incremental packages will then add different elements to the basic campaign reflected in the base package. Examples of possible incremental packages include advertising in different types of magazines (for example sports or travel magazines), an email campaign, social media campaigns on different platforms and the use of influencers. The latter of these being in line with Elena Ricci's suggestions.

Any number of incremental packages can be developed. Each will potentially target a different segment of the public and therefore have different potential outcomes in terms of sales and profit generation. Each package will be costed and its benefits will be estimated. For example, for use of an influencer we will need to consider the types of people that follow the influencer and how this might impact sales. The external agency will be able to assist us with determining these benefits.

Mutually exclusive decision packages are different ways of achieving the same or a very similar outcome. For example, we might want to consider the use of different external agencies and consider factors such as any specialisms that each agency has (for example, in social media marketing or maybe for sports promotion).

The final step in the process of determining the budget is to consider all decision packages available and rank them on a cost-benefit basis. This will help us determine the agency to use and the incremental packages that we want to add to the base package to give us our promotional campaign.

Benefits and challenges of using a ZBB approach

Benefits

A benefit of using a ZBB approach to budget for support activities such as promotion, is that it makes management consider the cost of that activity alongside the benefits expected to arise from incurring that cost as part of justifying and ranking decision packages. Management will need to focus on the effectiveness of the various options under consideration and allocate resources to the most effective options. For example, it might be decided that a social media campaign will be more effective than advertising in generic travel magazines based on the anticipated audience for each.

Using a ZBB approach will also help to ensure that support activities are viewed as an important function by all managers, rather than just a drain on resources. Quantifying and then discussing the benefits of spending money on promotion and other support activities such as training or machinery maintenance will help managers to appreciate the need for the activity.

We currently use an incremental approach to budgeting which means that the budget for each support activity will be based on the previous year's budget adjusted for inflation and any known changes. A benefit, therefore, of using a ZBB approach is that, because it starts from zero each year, the past is ignored and past inefficiencies included in the budget are removed. Each support activity budget will be fully justified and designed to maximise the effectiveness of the money to be spent.

Challenges

Whilst there are many benefits to using ZBB, there are also a number of challenges. To start with, it can be difficult to establish and quantify the potential benefits associated with a decision package. For example, whilst we know that a benefit of advertising in a magazine is that readers will see our brand and develop understanding of the products and services we provide (for example, Custom skis), it is difficult to put a financial value on this. Just because a person reads our advert does not necessarily mean that they will want to order Custom skis. Many factors such as the likely disposable income and skill level of the person will factor into how many people reading the advert will lead to a sale. Ultimately, many of the benefits are intangible in nature.

Another challenge is that using ZBB, especially for the first time, is time consuming. The managers closest to the support activity need to be closely involved with determining and then fully costing and justifying decision packages. These managers will need training (which has a cost attached) and the necessary time to complete

the task properly. Some managers may resent this, and see it as a waste of time, especially if they do not foresee any personal benefit.

Finally, it will be challenging to decide on the level of detail to go to with the decision packages. For example, considering the Custom ski campaign, we could end up with many incremental decision packages covering different sports and travel magazines, different influencers or different types of social media campaign. It will be important to balance the cost of the time involved in the process with the benefits of doing it in terms of identifying all the possible options available. We might want to set a limit on the number of incremental packages to be justified.

Impact of new supplier

Impact on investment in working capital and operating cycle

Our investment in working capital is measured as our inventory balance plus trade receivables balance less trade payables balance. The operating cycle is measured as inventory days plus trade receivables days less trade payables days.

If we take the prompt payment discount from the new supplier we will need to pay within 15 days, which is half of the time we currently take to pay our existing supplier of 30 days. This will reduce payables and payable days and increase the operating cycle and investment in working capital. Effectively, we will be making less use of suppliers as a free source of finance.

Factors to consider

The main factor to consider when deciding whether to take advantage of the discount will be whether it is financially worthwhile. To do this we need to determine whether there will be a net financial benefit if we take the discount.

The net financial benefit will be calculated as the benefit of the discount itself (which is 1% of the total value that the supplier will invoice) less the cost of financing a higher level of investment in working capital at our cost of short-term borrowing. If the benefit of the discount is greater than the cost of the finance, the prompt payment discount will be worthwhile from a financial point of view.

There will also be practical factors to consider, such as the availability of liquid resources to make an earlier payment. If funds are not available, an overdraft facility will be required, which will need to be negotiated with the bank.

SECTION 4

Decision criteria

Maximax

Using a maximax approach to this decision we would choose the campaign that maximises the maximum payoff achievable and will therefore select the best of the best. The maximax criterion is best suited to a decision maker that is optimistic.

The best payoff under Campaign 1 is R\$7,642, under Campaign 2 is R\$12,350 and under Campaign 3 is R\$10,734, all of which are when the state of the market is strong. Of these, the highest and therefore best available payoff is R\$12,350, and therefore under this criterion we would choose Campaign 2.

Maximin

Using a maximin approach to this decision we would choose the campaign that maximises the minimum payoff achievable and will therefore select the best of the worst. The maximin criterion is best suited to a decision maker that is pessimistic.

The worst payoff under Campaign 1 is an additional loss of (R\$5,059), under Campaign 2 is an additional loss of (R\$460) and under Campaign 3 is an additional profit of R\$1,232, all of which are when the state of the market is poor. Of these the best of the worst payoffs is an additional profit of R\$1,232, and therefore under this criterion we would choose Campaign 3.

Minimax regret

Using a minimax regret approach, the alternative that minimises the maximum regret under each of the potential campaigns is selected. This is generally used where we want to minimise the regret of making a bad decision. 'Regret' refers to the opportunity loss from having made the wrong decision.

Table 3 shows the regret depending on the state of the market for each campaign. For example, if the state of the market was strong, we would have no regret if we had chosen Campaign 2 because this would give us the best result. The regret for each of the other campaigns is the difference between additional profit of R\$12,350 and the additional profit or loss from each of the other promotional campaigns. The maximum regret is R\$6,291 for Campaign 1, R\$2,773 for Campaign 2 and R\$1,616 for Campaign 3. To minimise maximum regret, we should therefore select Campaign 3.

Classification and measurement of the old grinding machine

The grinding machine will stop being used in the Custom Department from 1 April 2026. There is an intention to keep the machine on site rather than sell it and

therefore, this will not be an asset held for sale. The machine will continue to be classified as an item of property, plant and equipment.

On 1 April 2026, which is the date that the machine ceases to be used in production, we will need to consider if there is an impairment in its value. An impairment will arise if the carrying amount of the grinding machine is higher than its recoverable amount. Its recoverable amount is the higher of its fair value, less costs to sell and its value in use.

The carrying amount of the grinding machine on 1 April 2026 will be R\$15,600. Its recoverable amount is the higher of R\$5,000 (net proceeds of sale) and its value in use. Value in use is tricky to determine because it will depend on whether we do end up using the machine again, although it has been estimated that we would save R\$6,000 in equipment hire fees should we keep it. This is therefore an approximation of value in use.

Therefore, on 1 April 2026, the recoverable amount will be R\$6,000. As this is lower than the current carrying amount of R\$15,600, there is therefore an impairment in the value of the grinding machine of the difference between these two values. This difference will be charged to profit or loss and the value of the machine reduced to R\$6,000 with effect from 1 April 2026.

As noted above, we will continue to classify the grinding machine as an item of property, plant and equipment. In addition, we will continue to depreciate the asset, even though it will not be in active use. This is because IAS 16: Property, plant and equipment, states that depreciation ceases only when an asset is reclassified as held for sale or when an asset is derecognised (which will happen when the asset is sold).

The depreciation charge will need to be recalculated though as the carrying amount of the asset will be reduced to its recoverable amount. From 1 April 2026 the monthly depreciation charge will be calculated as $R\$6,000 / 3 \text{ years} \times 1/12$. Therefore, for the year ending 30 June 2026, the depreciation charge will be 9 months at the original rate and 3 months at the new rate.

Classification and measurement of the old press

The old press will cease to be used from 1 May 2026, and unlike the grinding machine, we plan to sell the press and so need to consider when the press needs to be reclassified as an asset held for sale.

Reclassification of an asset as an asset held for sale occurs at the point that the asset is available for immediate sale in its present condition and where its sale is highly probable. A sale is highly probable when: management are committed to sell the asset; there is an active programme to find a buyer; the asset is marketed at a reasonable price; the sale is expected to take place within 12 months; and it is unlikely that the plan to sell the asset will change.

The old press will be available for immediate sale in its present condition, after the reconditioning work has been completed in May. The press will be advertised for sale from 1 June 2026, which indicates that there is a plan to sell the asset and presumably that management are committed to the sale (given that a new press will have been installed by then). We expect to sell the press within 6 months (so meet the 12 month criterion) and the price appears to be reasonable given its current carrying amount. Therefore, it would appear that the sale of the press will be highly probable from 1 June 2026.

The press will continue to be depreciated until 1 June 2026. At that date we then need to determine the value that the asset held for sale will be recorded at, which will be the lower of its carrying amount and fair value less costs to sell. The carrying amount of the press will be R\$18,500 less a further month's depreciation of R\$1,500 and so R\$17,000. Fair value less costs to sell will be R\$20,000 less R\$3,000 reconditioning costs less R\$500 selling costs, and so R\$16,500. As this latter value is lower than carrying amount, the difference will be charged to profit or loss.

If the press is sold before 30 June 2026, we will need to derecognise the asset held for sale and record any difference between the final net proceeds of sale and the adjusted carrying amount as a profit or loss on disposal. If the press is still for sale on 30 June 2026, we will need to check that it still meets the conditions to be classified as an asset held for sale and also check its value. There will be no depreciation of the asset after 1 June 2026 and the asset will be included as an asset held for sale within current assets.

Operational Level Case Study

November 2025 & February 2026

Marking Guidance

Variant 1

About this marking scheme

This marking scheme has been prepared for the CGMA Professional Qualification Operational Case Study [November 2025 & February 2026].

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

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

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

General marking guidance

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

How to use this levels-based 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)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	48%
(b)	E	Prepare information to support short-term decision making.	36%
(c)	E	Prepare information to support short-term decision making.	16%
Section 2			
(a)	F	Prepare information to manage working capital.	36%
(b)	E	Prepare information to support short-term decision making.	32%
(c)	B	Prepare budget information and assess its use for planning and control purposes.	32%
Section 3			
(a)	A	Prepare costing information for different purposes to meet the needs of management.	48%
(b)	B	Prepare budget information and assess its use for planning and control purposes.	52%
Section 4			
(a)	C	Analyse performance using financial and non-financial information.	48%
(b)	C	Analyse performance using financial and non-financial information.	16%
(b)	C	Analyse performance using financial and non-financial information.	36%

SECTION 1			
Task (a): Explain how the lease in Schedule 1 will be initially recorded and subsequently measured in our financial statements for the year ending 30 June 2026 and in future years.			
Trait			
Lease liability	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of how the lease liability will be initially and subsequently measured. The explanation lacks clarity, detail and reference to the information given.	1 – 2
	Level 2	Demonstrates a reasonable technical understanding of how the lease liability will be initially and subsequently measured. The explanation lacks some clarity, detail and/or reference to the information given.	3 – 4
	Level 3	Demonstrates a good technical understanding of how the lease liability will be initially and subsequently measured. The explanation is mostly clear, detailed and references the information given.	5 – 6
Right-of-use asset	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some technical understanding of how the right-of-use asset will be initially and subsequently measured. The explanation lacks clarity, detail and reference to the information given.	1 – 2
	Level 2	Demonstrates a reasonable technical understanding of how the right-of-use asset will be initially and subsequently measured. The explanation lacks some clarity, detail and/or reference to the information given.	3 – 4
	Level 3	Demonstrates a good technical understanding of how the right-of-use asset will be initially and subsequently measured. The explanation is mostly clear, detailed and references the information given.	5 – 6

SECTION 1 (continued)

Task (b): Explain the analysis in Schedule 2 and two factors we should consider before going ahead with the proposed production plan.

Production plan	Level	Descriptor	Marks
			No rewardable material
	Level 1	Demonstrates some technical understanding of the analysis in Schedule 2. The explanation lacks clarity, detail and reference to the schedule. It may not mention a factor to consider.	1 – 3
	Level 2	Demonstrates a reasonable technical understanding of the analysis in Schedule 2. The explanation may lack some clarity, detail and/or reference to the schedule. Likely to provide at least one factor to consider.	4 – 6
	Level 3	Demonstrates a good technical understanding of the analysis in Schedule 2. It is mostly clear, detailed and referenced to the schedule. At least one relevant factor to consider is provided.	7 – 9

Task (c): Explain how we would determine how much it would be worth paying to buy in the additional cutting hours required to meet full demand.

Buying in cutting hours	Level	Descriptor	Marks
			No rewardable material
	Level 1	Demonstrates some understanding of how to determine how much it would be worth paying for additional cutting hours. The explanation lacks clarity, detail, technical understanding and reference to the scenario.	1
	Level 2	Demonstrates a reasonable understanding of how to determine how much it would be worth paying for additional cutting hours. The explanation lacks some clarity, detail, technical accuracy and/or reference to the scenario.	2 – 3
	Level 3	Demonstrates a good understanding of how to determine how much it would be worth paying. The explanation is clear, detailed, technically accurate and references the scenario.	4

SECTION 2			
Task (a): Compare the potential suppliers' approaches to working capital management and explain the implications of this for our business.			
Trait			
Suppliers	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides a limited comparison of the suppliers' approaches to working capital management, with little reference to the information given. The explanation of implications may be missing.	1 – 3
	Level 2	Provides a reasonable comparison of the suppliers' approaches to working capital management, with some reference to the information given. There is some explanation of implications.	4 – 6
	Level 3	Provides a good comparison of the suppliers' approaches to working capital management, with good reference to the information given. There is a reasonable explanation of implications.	7 – 9
Task (b): Explain the meaning of the expected values, standard deviations and coefficients of variation shown in Schedule 2. Please also explain how to make the decision about order size using a risk averse and a risk seeking approach.			
Trait			
EV, SD, COV	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates an understanding of at least one of the measures. The explanation lacks clarity and detail.	1
	Level 2	Demonstrates an understanding of at least two of the measures. The explanation lacks some clarity and detail.	2 – 3
	Level 3	Demonstrates an understanding of all three measures. The explanation is clear, detailed and references the information given.	4
Trait			
Risk approach	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some technical understanding. The explanation lacks clarity, detail and reference to the information given.	1
	Level 2	Demonstrates a reasonable technical understanding. The explanation may lack some clarity, detail and/or reference to the information given.	2 – 3
	Level 3	Demonstrates a good technical understanding. The explanation is clear, detailed and references the information given.	4

SECTION 2 (continued)

Task (c): Explain the sources and types of big data that could be used to create a sales budget for our Touring range for the year to 30 June 2027.

Trait			
Big data	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the sources and types of big data that could be used to create the sales budget. The explanation lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Demonstrates a reasonable understanding of the sources and types of big data that could be used to create the sales budget. The explanation may lack some clarity, detail and/or application to the scenario.	4 – 6
	Level 3	Demonstrates a good understanding of the sources and types of big data that could be used to create the sales budget. The explanation is clear, detailed and applied to the scenario.	7 – 8

SECTION 3

Task (a): Explain how to determine the cost per download of the app based on the information in Schedule 1 and any difficulties we may have in doing so.

Trait			
Cost per download	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides some explanation of how to establish the cost per download. The explanation lacks clarity, detail and application to the scenario.	1 – 2
	Level 2	Provides a reasonable explanation of how to establish the cost per download. The explanation lacks some clarity, detail and/or application to the scenario.	3 – 4
	Level 3	Provides a good explanation of how to establish the cost per download. The explanation is mostly clear, detailed and applied to the scenario.	5 – 6

Trait			
Difficulties	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides at least one difficulty of establishing the cost per download. The explanation lacks clarity, detail and reference to the information given.	1 – 2
	Level 2	Provides at least two difficulties of establishing the cost per download. The explanation may lack some clarity, detail and/or reference to the information given.	3 – 4
	Level 3	Provides at least three difficulties of establishing the cost per download. The explanation is mostly clear, detailed and referenced to the information given.	5 – 6

Task (b): Explain how an activity based budgeting approach could be used to set the skilled labour budget for the Assembly Department, with reference to each of the processes detailed in Schedule 2.

Trait			
ABB	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of an ABB approach and how it could be used to set the labour budget. The explanation lacks clarity, depth and has very limited application to any of the processes in Schedule 2.	1 – 4
	Level 2	Demonstrates a reasonable understanding of the ABB approach and how it could be used to set the labour budget. The explanation may lack some clarity, depth and/or application to any of the processes in Schedule 2.	5 – 9
	Level 3	Demonstrates a good understanding of ABB and how it could be used to set the labour budget. The explanation is clear, detailed and applied to the processes in Schedule 2.	10 – 13

SECTION 4

Task (a): Explain what each of the variances in Schedule 1 mean and possible reasons for their occurrence.

Trait				
Variances	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates a technical understanding of at least one type of variance. The explanation lacks clarity and depth, and the reasons given may not be drawn from the scenario or be appropriate for the variance.	1 – 4	
	Level 2	Demonstrates a technical understanding of at least two types of variance. The explanation lacks some clarity and/or depth, and the reasons given may not be drawn from the scenario or be appropriate for the variance.	5 – 8	
	Level 3	Demonstrates a technical understanding of all three types of variance. The explanation is mostly clear and detailed, and the reasons given are mostly drawn from the scenario and are appropriate for the variance.	9 – 12	

Task (b): Explain whether splitting the variances into their planning and operational elements could help to assess the performance of each Head of Sales in generating sales of our Touring range.

Trait				
Planning and operational	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates some technical understanding of planning and operational variances. The explanation lacks clarity and detail and does not refer to the variances.	1	
	Level 2	Demonstrates a reasonable technical understanding of planning and operational variances. The explanation may lack some clarity and/or detail or may not refer to the variances.	2 – 3	
	Level 3	Demonstrates a good technical understanding of planning and operational variances. The explanation is clear and detailed and there is reference to at least one of the variances given.	4	

Task (c): Suggest three KPIs to monitor the performance of the website in generating sales. For each KPI, please explain how it would be measured and why it would be appropriate.

Trait				
KPIs	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Suggests at least one appropriate KPI. The explanation of measurement and appropriateness lacks clarity and application to the scenario.	1 – 3	
	Level 2	Suggests at least two appropriate KPIs. The explanation of measurement and appropriateness lacks some clarity and/or application to the scenario.	4 – 6	
	Level 3	Suggests three appropriate KPIs. The explanation of measurement and appropriateness is mostly clear and applied to the scenario.	7 – 9	

Operational Level Case Study

November 2025 & February 2026

Marking Guidance

Variant 2

About this marking scheme

This marking scheme has been prepared for the CGMA Professional Qualification Operational Case Study [November 2025 & February 2026].

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

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

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

General marking guidance

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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.

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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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- 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)	B	Prepare budget information and assess its use for planning and control purposes.	32%
(b)	E	Prepare information to support short-term decision making.	36%
(c)	E	Prepare information to support short-term decision making.	32%
Section 2			
(a)	F	Prepare information to manage working capital.	48%
(b)	A	Prepare costing information for different purposes to meet the needs of management.	52%
Section 3			
(a)	B	Prepare budget information and assess its use for planning and control purposes.	52%
(b)	C	Analyse performance using financial and non-financial information.	48%
Section 4			
(a)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	48%
(b)	C	Analyse performance using financial and non-financial information.	52%

SECTION 1

Task (a): Explain the figures in the what-if analysis in Table 1 and what they indicate about the impact on budgeted profit of different discount levels, sales volumes and variable cost per pair of skis.

Trait			
What-if	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of what the figures indicate about the impact of changes on budgeted profit. The explanation lacks clarity, detail and reference to the information given.	1 – 3
	Level 2	Demonstrates a reasonable understanding of what the figures indicate about the impact of changes on budgeted profit. The explanation lacks some clarity, detail and/or reference to the information given.	4 – 6
	Level 3	Demonstrates a good understanding of what the figures indicate about the impact of changes on budgeted profit. The explanation is mostly clear, detailed and referenced to the information given.	7 – 8

Task (b): Explain what each of the three statistical measures in Table 3 mean. Please also explain, using the information in the tables, how a risk seeking, a risk averse and a risk neutral decision maker would choose the level of discount, stating the decision made in each case.

Trait			
Measures and risk attitudes	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the meaning of the statistical measures and some understanding of how to make the decision based on different risk attitudes. The explanation lacks clarity, depth, technical accuracy and reference to the information.	1 – 3
	Level 2	Demonstrates a reasonable understanding of the meaning of the statistical measures and reasonable understanding of how to make the decision based on different risk attitudes. The explanation may lack some clarity, depth, technical accuracy and/or reference to the information.	4 – 6
	Level 3	Demonstrates a good understanding of the meaning of the statistical measures and good understanding of how to make the decision based on different risk attitudes. The explanation is mostly clear, comprehensive, technically accurate and referenced to the information.	7 – 9

SECTION 1 (continued)

Task (c): Explain any limitations of the what-if information included in Table 1 and any drawbacks of using expected value to make this decision.

Trait			
Limitations	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains at least one limitation/drawback. The explanation lacks clarity, detail and reference to the information given.	1 – 3
	Level 2	Explains at least two limitations/drawbacks. The explanation lacks some clarity, detail and/or reference to the information given.	4 – 6
	Level 3	Explains at least four limitations/drawbacks and covers both the what-if information and using EV. The explanation is mostly clear, detailed and referenced to the information given.	7 – 8

SECTION 2			
Task (a): Explain the information in Schedule 1. Please also explain the assumptions of the EOQ model and whether it would be appropriate to use in relation to ski accessories.			
Trait			
Schedule 1	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the information in Schedule 1. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2
	Level 2	Demonstrates a reasonable understanding of the information in Schedule 1. The explanation may lack some clarity, detail, technical accuracy and/or reference to the information given.	3 – 4
	Level 3	Demonstrates a good understanding of the information in Schedule 1. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	5 – 6
Assumptions	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the assumptions of the EOQ model. The explanation lacks clarity, detail and is unlikely to consider the appropriateness to the business.	1 – 2
	Level 2	Demonstrates a reasonable understanding of the assumptions of the EOQ model. The explanation may lack some clarity and detail and may not consider the appropriateness to the business.	3 – 4
	Level 3	Demonstrates a good understanding of the assumptions of the EOQ model. The explanation is mostly clear, detailed and does consider the appropriateness to the business.	5 – 6
Task (b): Explain the features of a digital costing system and how this could be useful for purchasing and costing within our business.			
Trait			
Purchasing	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how a digital costing system could be useful for purchasing. The explanation lacks clarity, detail and application to the scenario.	1 – 2
	Level 2	Demonstrates a reasonable understanding of how a digital costing system could be useful for purchasing. The explanation may lack some clarity, detail and/or application to the scenario.	3 – 5
	Level 3	Demonstrates a good understanding of how a digital costing system could be useful for purchasing. The explanation is clear, detailed and referenced to the scenario.	6 – 7
Costing	Level	Descriptor	Marks
		No rewardable material.	
	Level 1	Demonstrates some understanding of how a digital costing system could be useful for costing. The explanation lacks clarity, detail and application to the scenario.	1 – 2

	Level 2	Demonstrates a reasonable understanding of how a digital costing system could be useful for costing. The explanation may lack some clarity, detail and/or application to the scenario.	3 – 4
	Level 3	Demonstrates a good understanding of how a digital costing system could be useful costing. The explanation is clear, detailed and referenced to the scenario.	5 – 6

SECTION 3			
Task (a): Explain the features of beyond budgeting. For each feature, please explain the benefits to SumTrix and how it may help to address the quality and sustainability concerns of the SMT, if used to create budgets for our production departments.			
Trait			
Beyond budgeting	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the features of beyond budgeting. The explanation may lack clarity and detail. The benefits to SumTrix and the concerns of the SMT are not likely to be addressed.	1 – 4
	Level 2	Demonstrates a reasonable understanding of the features of beyond budgeting. The explanation may lack some clarity and/or detail. The explanation may have some consideration of the benefits to SumTrix, but may not specifically address the concerns of the SMT.	5 – 9
	Level 3	Demonstrates a good understanding of the features of beyond budgeting. The explanation is clear, detailed and addresses both the benefits to SumTrix and the quality concerns of the SMT.	10 – 13
Task (b): Explain what the KPIs and the information in Schedule 1 tell us about customer use of the newsletter, promotional videos and promotional discount.			
Trait			
KPIs	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides a limited explanation of the KPIs and information. The explanation lacks clarity, detail and application to the scenario.	1 – 4
	Level 2	Provides a reasonable explanation of the KPIs and information. The explanation lacks some clarity, detail and/or application to the scenario.	5 – 8
	Level 3	Provides a good explanation of the KPIs and information. The explanation is mostly clear, detailed and applied to the scenario.	9 – 12

SECTION 4

Task (a): Explain how each of the items listed in Schedule 1 will be treated in the financial statements for the year ending 30 June 2026, including the impact of that treatment on profit or loss for the year.

Trait			
Ski press	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of impairment. The explanation lacks clarity, detail and technical understanding, with little or no reference to the information given.	1 – 3
	Level 2	Demonstrates a reasonable understanding of impairment. The explanation may lack some clarity, detail, technical accuracy and/or reference to the information given.	4 – 6
	Level 3	Demonstrates a good understanding of impairment. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	7 – 8
Inventory	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of inventory valuation. The explanation lacks clarity, detail and technical understanding, with little or no reference to the information given.	1
	Level 2	Demonstrates a reasonable understanding of inventory valuation. The explanation may lack some clarity, detail, technical accuracy and/or reference to the information given.	2 – 3
	Level 3	Demonstrates a good understanding of inventory valuation. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	4

SECTION 4 (continued)			
Task (b): Explain what each of the variances in Schedule 2 means and possible reasons for their occurrence.			
Trait			
Labour	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates a technical understanding of at least one of the labour variances. The explanation lacks clarity, and the reasons given may not be drawn from the scenario or be appropriate for the variance.	1 – 2
	Level 2	Demonstrates a technical understanding of at least two of the labour variances. The explanation lacks some clarity, and the reasons given may not be drawn from the scenario or be appropriate for the variance.	3 – 5
	Level 3	Demonstrates a technical understanding of all three labour variances. The explanation is mostly clear, and the reasons given are mostly drawn from the scenario and are appropriate for the variance.	6 – 7
Fixed overheads	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates a technical understanding of at least one of the fixed overhead variances. The explanation lacks clarity, and the reasons given may not be drawn from the scenario or be appropriate for the variance.	1 – 2
	Level 2	Demonstrates a technical understanding of at least two of the fixed overhead variances. The explanation lacks some clarity, and the reasons given may not be drawn from the scenario or be appropriate for the variance.	3 – 4
	Level 3	Demonstrates a technical understanding of all three fixed overhead variances. The explanation is mostly clear, and the reasons given are mostly drawn from the scenario and are appropriate for the variance.	5 – 6

Operational Level Case Study

November 2025 & February 2026

Marking Guidance

Variant 3

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)	B	Prepare budget information and assess its use for planning and control purposes.	40%
(b)	B	Prepare budget information and assess its use for planning and control purposes.	24%
(c)	B	Prepare budget information and assess its use for planning and control purposes.	36%
Section 2			
(a)	E	Prepare information to support short-term decision making.	28%
(b)	E	Prepare information to support short-term decision making.	40%
(c)	F	Prepare information to manage working capital.	32%
Section 3			
(a)	C	Analyse performance using financial and non-financial information.	36%
(b)	C	Analyse performance using financial and non-financial information.	16%
(c)	A	Prepare costing information for different purposes to meet the needs of management.	48%
Section 4			
(a)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	36%
(b)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	28%
(c)	C	Analyse performance using financial and non-financial information.	36%

SECTION 1			
Task (a): Explain what the three trend lines and seasonal variations information shown in Chart 1 and Table 1 indicate about sales of freestyle skis in North America. Please also explain how this information could be used to determine a sales volume forecast for our Freestyle range in North America for the first 12 months.			
Trait			
Chart 1 & Table 1	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of what the trend lines and seasonal variations indicate. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2
	Level 2	Demonstrates a reasonable understanding of what the trend lines and seasonal variations indicate. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 4
	Level 3	Demonstrates a good understanding of what the trend lines and seasonal variations indicate. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	5
How to use	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to use the information. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2
	Level 2	Demonstrates a reasonable understanding of how to use the information. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 4
	Level 3	Demonstrates a good understanding of how to use the information. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	5

SECTION 1 (continued)			
Task (b): Explain any factors associated with using this data and this approach that will affect the accuracy of this forecast.			
Trait			
Factors	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides at least one suitable factor to consider. The explanation lacks clarity, detail and application to the scenario.	1 – 2
	Level 2	Provides at least two suitable factors to consider. The explanation lacks some clarity, detail and/or application to the scenario.	3 – 4
	Level 3	Provides at least three suitable factors to consider. The explanation is mostly clear, detailed and applied to the scenario.	5 – 6
Task (c): Explain the benefits of using big data and big data analytics for creating our sales revenue forecasts for North America.			
Trait			
Benefits	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of big data and big data analytics but may not provide a suitable benefit. The explanation lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Demonstrates a reasonable understanding of big data and big data analytics to provide one or two suitable benefits. The explanation lacks some clarity, detail and/or application to the scenario.	4 – 6
	Level 3	Demonstrates a good understanding of big data and big data analytics to provide at least three suitable benefits. The explanation is mostly clear, detailed and applied to the scenario.	7 – 9

SECTION 2

Task (a): Explain the decision tree and how to use it to make our decision about which agent to choose based on a risk neutral approach to the decision.

Trait			
Decision tree	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides a limited explanation of the decision tree and/or how to use it to make the decision. The explanation lacks clarity, technical accuracy and reference to the information given.	1 – 2
	Level 2	Provides some explanation of the decision tree and/or how to use it to make the decision. The explanation lacks some clarity, technical accuracy and/or reference to the information given.	3 – 5
	Level 3	Provides a detailed explanation of the decision tree and how to use it to make the decision. The explanation is mostly clear, technically accurate and referenced to the information given.	6 – 7

Task (b): Explain the limitations of using this decision tree and this approach to make our decision.

Trait			
Limitations	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains at least one limitation of either the decision tree or the approach. The explanation lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Explains at least two limitations of either the decision tree or the approach. The explanation lacks some clarity, detail and/or application to the scenario.	4 – 7
	Level 3	Explains at least four limitations of either the decision tree or the approach (with at least one of each). The explanation is mostly clear, detailed and applied to the scenario.	8 – 10

Task (c): Explain the factors that need to be considered when determining the level of finished goods inventory to hold in our Goods Outwards Warehouse to support sales to North America.

Trait			
Inventory level	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains at least one factor to consider. The explanation lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Explains at least two factors to consider. The explanation lacks some clarity, detail and/or application to the scenario.	4 – 6
	Level 3	Explains at least four factors to consider. The explanation is mostly clear, detailed and applied to the scenario.	7 – 8

SECTION 3

Task (a): Explain the four fixed production overhead variances in Schedule 1 and possible reasons why each variance has occurred.

Trait			
Variations	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates an understanding of at least one of the variances. The explanation of meaning lacks clarity, detail and technical accuracy, and the reasons given may not relate to the correct variance or be drawn from the scenario.	1 – 3
	Level 2	Demonstrates an understanding of at least two of the variances. The explanation of meaning lacks some clarity, detail and technical accuracy, and the reasons given may not always relate to the correct variance or be drawn from the scenario.	4 – 6
	Level 3	Demonstrates an understanding of at least three of the variances. The explanation of meaning is mostly clear, detailed and technically accurate, and the reasons given mostly relate to the correct variance and are drawn from the scenario.	7 – 9

Task (b): Explain the usefulness of these fixed production variances for managing fixed production overheads.

Trait			
Usefulness	Level	Descriptor	Marks
	Level 1	Provides a limited explanation which lacks clarity, depth and application to the scenario.	1
	Level 2	Provides some explanation which lacks some clarity, depth and/or application to the scenario.	2 – 3
	Level 3	Provides a reasonable explanation which is mostly clear, detailed and applied to the scenario.	4

SECTION 3 (continued)

Task (c): Explain what is meant by each category of the activity cost hierarchy in the context of our production of skis. Please include examples of production overheads for each of these categories based on the Assembly Department processes in Schedule 2.

Trait			
Activity hierarchy	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates an understanding of the meaning of, and provides suitable examples for, at least one of the categories. The explanation lacks clarity, detail and application to the scenario and information given.	1 – 4
	Level 2	Demonstrates an understanding of the meaning of, and provides suitable examples for, at least two of the categories. The explanation lacks some clarity, detail and/or application to the scenario and information given.	5 – 8
	Level 3	Demonstrates an understanding of the meaning of, and provides suitable examples for, at least three of the categories. The explanation is mostly clear, detailed and applied to the scenario and information given.	9 – 12

SECTION 4

Task (a): Explain how adopting a revaluation policy for property would affect our financial statements for the year ending 30 June 2027, assuming that the revaluation occurs on 1 July 2026.

Trait			
Revaluation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how a revaluation policy would affect the financial statements. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 3
	Level 2	Demonstrates a reasonable understanding of how a revaluation policy would affect the financial statements. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	4 – 6
	Level 3	Demonstrates a good understanding of how a revaluation policy would affect the financial statements. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	7 – 9

Task (b): Explain how many years we should depreciate the computer equipment over in our financial statements and how we would subsequently deal with a change in the useful life of the equipment if this were to happen.

Trait			
Depreciation	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to depreciate the equipment and/or how to deal with a change in useful life. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2
	Level 2	Demonstrates a reasonable understanding of how to depreciate the equipment and/or how to deal with a change in useful life. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 5
	Level 3	Demonstrates a good understanding of how to depreciate the equipment and how to deal with a change in useful life. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	6 – 7

SECTION 4 (continued)

Task (c): Suggest three KPIs suitable for monitoring the performance of the North America Distribution Centre Manager. For each KPI, please explain how it would be measured and justify why it would be appropriate.

Trait			
KPIs	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Suggests at least one suitable KPI. The explanation of measurement and justification of appropriateness lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Suggests at least two suitable KPIs. The explanation of measurement and justification of appropriateness lacks some clarity, detail and/or application to the scenario.	4 – 6
	Level 3	Suggests three suitable KPIs. The explanation of measurement and justification of appropriateness is mostly clear, detailed and applied to the scenario.	7 – 9

Operational Level Case Study

November 2025 & February 2026

Marking Guidance

Variant 4

About this marking scheme

This marking scheme has been prepared for the CGMA Professional Qualification Operational Case Study [November 2025 & February 2026].

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

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

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

General marking guidance

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

How to use this levels-based 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)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	32%
(b)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	28%
(c)	B	Prepare budget information and assess its use for planning and control purposes.	40%
Section 2			
(a)	C	Analyse performance using financial and non-financial information.	48%
(b)	E	Prepare information to support short-term decision making.	52%
Section 3			
(a)	C	Analyse performance using financial and non-financial information.	40%
(b)	A	Prepare costing information for different purposes to meet the needs of management.	60%
Section 4			
(a)	E	Prepare information to support short-term decision making.	32%
(b)	F	Prepare information to manage working capital.	36%
(c)	B	Prepare budget information and assess its use for planning and control purposes.	32%

SECTION 1

Task (a): Explain how the old press will be treated in our financial statements for the year ending 30 June 2026.

Trait			
Old press	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how the old press will be treated. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 3
	Level 2	Demonstrates reasonable understanding of how the old press will be treated. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	4 – 6
	Level 3	Demonstrates good understanding of how the old press will be treated. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	7 – 8

Task (b): Explain how the expenditure related to the new press will be treated in our financial statements for the year ending 30 June 2026.

Trait			
New Press	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how the new press will be treated. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2
	Level 2	Demonstrates reasonable understanding of how the new press will be treated. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 5
	Level 3	Demonstrates good understanding of how the new press will be treated. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	6 – 7

Task (c): Explain what the information in Schedule 2 tells us about the demand for adapted winter sports equipment and whether it is useful for creating the forecast of sales volume for the new Adapted range.

Trait			
Demand	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the trend line and seasonal variations. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2
	Level 2	Demonstrates reasonable understanding of the trend line and seasonal variations. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 4
	Level 3	Demonstrates good understanding of the trend line and seasonal variations. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	5 – 6

Useful	Level	Descriptor	Marks
			No rewardable material
	Level 1	Explains at least one factor in relation to the usefulness of the information. The explanation may lack clarity and application.	1
	Level 2	Explains at least one factor in relation to the usefulness of the information. The explanation may lack some clarity or application to the scenario.	2 – 3
	Level 3	Explains at least two factors in relation to the usefulness of the information. Each is clear and applied to the scenario.	4

SECTION 2

Task (a): Suggest four key performance indicators (KPIs), two for each post, to monitor the performance of the new coordinators. Please explain how each KPI will be measured and why it is appropriate.

Trait			
Production Coordinator	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Suggests at least one appropriate KPI. The explanation of measurement and appropriateness lacks clarity and application to the scenario.	1 – 2
	Level 2	Suggests at least one appropriate KPI. The explanation of measurement and appropriateness lacks some clarity and/or application to the scenario.	3 – 4
	Level 3	Suggests at least two appropriate KPIs. The explanation of measurement and appropriateness is clear and has application to the scenario.	5 – 6
Sales Coordinator		No rewardable material	0
	Level 1	Suggests at least one appropriate KPI. The explanation of measurement and appropriateness lacks clarity and application to the scenario.	1 – 2
	Level 2	Suggests at least one appropriate KPI. The explanation of measurement and appropriateness lacks some clarity and/or application to the scenario.	3 – 4
	Level 3	Suggests at least two appropriate KPIs. The explanation of measurement and appropriateness is clear and has application to the scenario.	5 – 6

Task (b): Explain, Schedule 1, and based on the principles of short-term decision making, how we should decide which type of fully assembled outriggers should be purchased from POP in April. Please also explain two possible implications of buying the fully assembled outriggers from POP.

Trait			
Schedule 1	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates limited understanding of the principles of short-term decision making. The explanation lacks clarity, detail, technical understanding and may not refer to the information provided.	1 – 3
	Level 2	Demonstrates reasonable understanding of the principles of short-term decision making. The explanation may lack some clarity, detail, technical understanding but there is some reference to the information provided.	4 – 6
	Level 3	Demonstrates good understanding of the principles of short-term decision making. The explanation is mostly clear, detailed, technically accurate and has good reference to the information provided.	7 – 9
Implications		No rewardable material	0
	Level 1	Provides one suitable implication. The explanation lacks clarity, detail and application to the scenario.	1
	Level 2	Provides at least one suitable implication. The explanation may lack some clarity, detail and/or application to the scenario.	2 – 3
	Level 3	Provides two suitable implications. The explanation is mostly clear, detailed and applied to the scenario.	4

SECTION 3

Task (a): Explain what the variances in Schedule 1 mean and possible reasons for their occurrence.

Trait				
Variances	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates technical understanding of at least one of the variances. The explanation lacks clarity and the reasons given may not be drawn from the scenario or be appropriate for the variance.	1 – 3	
	Level 2	Demonstrates technical understanding of at least two of the variances. The explanation lacks some clarity and the reasons given may not be drawn from the scenario or be appropriate for the variance.	4 – 7	
	Level 3	Demonstrates technical understanding of all three of the variances. The explanation is mostly clear and the reasons given are mostly drawn from the scenario and are appropriate for the variance.	8 – 10	

Task (b): Explain how an activity based costing approach would differ from our current method of allocating production overheads and how it could be applied to our Adapted range using the information in Schedule 2.

Trait				
Differs	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates some understanding of how an ABC approach would differ. The explanation lacks clarity and detail.	1 – 2	
	Level 2	Demonstrates reasonable understanding of how an ABC approach would differ. The explanation lacks some clarity and detail.	3 – 4	
	Level 3	Demonstrates good understanding of how an ABC approach would differ. The explanation is clear and detailed.	5 – 6	

Application to Processes	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates some understanding of how an ABC approach would be applied. The explanation lacks clarity, detail and reference to the scenario.	1 – 3	
	Level 2	Demonstrates reasonable understanding of how an ABC approach would be applied. The explanation lacks some clarity, detail and/or reference to the scenario.	4 – 6	
	Level 3	Demonstrates good understanding of how an ABC approach would be applied. The explanation is mostly clear, detailed and references the scenario.	7 – 9	

SECTION 4

Task (a): Explain why a minimum price may differ from the total cost shown in Schedule 1. Please also justify whether or not each item should be included in the bid based on relevant costing principles..

Trait			
Minimum Price	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the relevant and irrelevant costs. The explanation lacks clarity, detail and reference to the information given.	1 – 3
	Level 2	Demonstrates reasonable understanding of the relevant and irrelevant costs. The explanation lacks some clarity, detail and/or reference to the information given.	4 – 6
	Level 3	Demonstrates good understanding of the relevant and irrelevant costs. The explanation is mostly clear, detailed and referenced to the information given.	7 – 8

Task (b): Explain, the factors we should consider when granting credit and when setting credit limits for Alpine Rush.

Trait			
Credit limits	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the factors we should consider. The explanation lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Demonstrates reasonable understanding of the factors we should consider. The explanation may lack some clarity, detail and/or application to the scenario.	4 – 6
	Level 3	Demonstrates good understanding of the factors we should consider. The explanation is mostly clear, detailed and applied to the scenario.	7 – 9

Task (c): Explain the features of rolling budgets and how they could improve motivation and control at SumTrix.

Trait			
Rolling budgets	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of rolling budgets. The explanation is largely generic and does not address either motivation or control. The explanation lacks clarity and detail.	1 – 3
	Level 2	Demonstrates reasonable understanding of rolling budgets. The explanation may lack application to the scenario, but at least motivation or control is addressed. The explanation may lack some clarity or detail.	4 – 6
	Level 3	Demonstrates good understanding of rolling budgets. The explanation is mostly clear, detailed and applied to the scenario. Both motivation and control are addressed.	7 – 8

Operational Level Case Study

November 2025 & February 2026

Marking Guidance

Variant 5

About this marking scheme

This marking scheme has been prepared for the CGMA Professional Qualification Operational Case Study [November 2025 & February 2026].

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

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

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

General marking guidance

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

How to use this levels-based 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	Prepare costing information for different purposes to meet the needs of management.	48%
(b)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	52%
Section 2			
(a)	B	Prepare budget information and assess its use for planning and control purposes.	28%
(b)	E	Prepare information to support short-term decision making.	24%
(c)	E	Prepare information to support short-term decision making.	24%
(d)	E	Prepare information to support short-term decision making.	24%
Section 3			
(a)	B	Prepare budget information and assess its use for planning and control purposes.	24%
(b)	B	Prepare budget information and assess its use for planning and control purposes.	28%
(c)	F	Prepare information to manage working capital.	48%
Section 4			
(a)	C	Analyse performance using financial and non-financial information.	40%
(b)	C	Analyse performance using financial and non-financial information.	24%
(c)	C	Analyse performance using financial and non-financial information.	36%

SECTION 1

Task (a): Explain the potential benefits of integrating our internal systems and of having automated external links if we implement a digital costing system for the Distribution Centre, with reference to the information in Table 1.

Trait				
Benefits	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates some understanding of the benefits of a digital costing system. The explanation lacks clarity, detail and reference to the information given. There is no attempt to consider the benefits in the context of internal integration and automated external links.	1 – 4	
	Level 2	Demonstrates reasonable understanding of the benefits of a digital costing system. The explanation lacks some clarity, detail and/or reference to the information given. There is a limited attempt to consider the benefits in the context of internal integration and automated external links.	5 – 8	
	Level 3	Demonstrates good understanding of the benefits of a digital costing system. The explanation is mostly clear, detailed and referenced to the information given. There is a reasonable attempt to consider the benefits in the context of internal integration and automated external links.	9 – 12	

Task (b): Explain with appropriate justification, how the information in Table 2 will be reflected in our financial statements for the year ending 30 June 2026. Please include details of how the lease liability and right-of-use asset will be initially recorded and subsequently measured.

Trait				
Lease liability	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates some understanding of how to initially and subsequently measure the lease liability. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2	
	Level 2	Demonstrates reasonable understanding of how to initially and subsequently measure the lease liability. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 4	
	Level 3	Demonstrates good understanding of how to initially and subsequently measure the lease liability. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	5 – 6	

Right-of-use & insurance	Level	Descriptor	Marks	
			No rewardable material	0
	Level 1	Demonstrates some understanding of how to initially and subsequently measure the right-of-use asset and/or how to treat the insurance premium. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2	
	Level 2	Demonstrates reasonable understanding of how to initially and subsequently measure the right-of-use asset and/or how to treat the insurance premium. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 5	
	Level 3	Demonstrates good understanding of how to initially and subsequently measure the right-of-use asset and how to treat the insurance premium. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	6 – 7	

SECTION 2

Task (a): Suggest the importance of preparing budgets for the new Distribution Centre and how these budgets will assist Gavin to manage the new centre.

Trait			
Importance of budgets	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the importance of budgets. The explanation lacks clarity, detail and application to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of the importance of budgets. The explanation lacks some clarity, detail and/or application to the scenario.	3 – 5
	Level 3	Demonstrates good understanding of the importance of budgets. The explanation is mostly clear, detailed and applied to the scenario.	6 – 7

Task (b): Explain, how the decision about which potential contract to choose will be made using a risk neutral, risk seeking and risk averse approach, stating the choice made under each approach.

Trait			
Decision	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how to make the decision using the different approaches. The explanation lacks clarity, detail, technical accuracy and reference to the information given. The correct choices are unlikely to be stated.	1 – 2
	Level 2	Demonstrates reasonable understanding of how to make the decision using the different approaches. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given. Some of the correct choices are stated.	3 – 4
	Level 3	Demonstrates good understanding of how to make the decision using the different approaches. The explanation is mostly clear, detailed, technically accurate and referenced to the information given. The correct choices are mostly stated.	5 – 6

Task (c): Explain the limitations of using these decision approaches and the information used to create Table 1 to make this decision.

Trait			
Limitations	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides at least one appropriate limitation. The explanation lacks clarity, detail and reference to the information given/application to the scenario.	1 – 2
	Level 2	Provides at least two appropriate limitations. The explanation lacks some clarity, detail and/or reference to the information given/application to the scenario.	3 – 4
	Level 3	Provides at least three appropriate limitations. The explanation is mostly clear, detailed and referenced to the information given/applied to the scenario.	5 – 6

Section 2 continued**Task (d): Explain** the factors to consider when deciding whether to pay R\$3,000 for the perfect information. .

Trait			
Perfect Information	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides at least one appropriate factor to consider. The explanation lacks clarity, detail and reference to the information given/application to the scenario.	1 – 2
	Level 2	Provides at least two appropriate factors to consider. The explanation lacks some clarity, detail and/or reference to the information given/application to the scenario.	3 – 4
	Level 3	Provides at least three appropriate factors to consider. The explanation is mostly clear, detailed and referenced to the information given/applied to the scenario.	5 – 6

SECTION 3

Task (a): Explain the impacts of option 1 and option 2 on budgeted revenue, contribution and profit for the clothing and accessories range, with reference to Table 1.

Trait			
Impacts	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the impacts of the options. The explanation lacks clarity, detail and reference to the information given.	1 – 2
	Level 2	Demonstrates reasonable understanding of the impacts of the options. The explanation lacks some clarity, detail and/or reference to the information given.	3 – 4
	Level 3	Demonstrates good understanding of the impacts of the options. The explanation is mostly clear, detailed and referenced to the information given.	5 – 6

Task (b): Explain the factors we should consider before using this what-if analysis to decide which option to implement.

Trait			
Factors	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides at least one appropriate factor to consider. The explanation lacks clarity, detail and reference to the information given/application to the scenario.	1 – 2
	Level 2	Provides at least two appropriate factors to consider. The explanation lacks some clarity, detail and/or reference to the information given/application to the scenario.	3 – 5
	Level 3	Provides at least three appropriate factors to consider. The explanation is mostly clear, detailed and referenced to the information given/applied to the scenario.	6 – 7

Task (c): Explain what Chart 1 shows, and the suitability of using the EOQ model for ordering ski helmets and other product lines in the expanded clothing and accessory range.

Trait			
Chart 1	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains limited features of Chart 1. The explanation lacks clarity, detail and reference to the chart and the scenario.	1
	Level 2	Explains some features of Chart 1. The explanation lacks some clarity, detail and/or reference to the chart and the scenario.	2 – 3
	Level 3	Explains the features of Chart 1. The explanation is mostly clear, detailed and referenced to the chart and the scenario.	4

Suitability	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the suitability of the EOQ model in this context. The explanation lacks clarity, detail and reference to the chart and the scenario.	1 – 3
	Level 2	Demonstrates reasonable understanding of the suitability of the EOQ model in this context. The explanation lacks some clarity, detail and/or reference to the chart and the scenario.	4 – 6
	Level 3	Demonstrates good understanding of the suitability of the EOQ model in this context. The explanation is mostly clear, detailed and referenced to the chart and the scenario.	7 – 8

SECTION 4

Task (a): Explain what the variances in Table 1 mean and possible reasons for their occurrence.

Trait			
Variances	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates understanding of the meaning of at least one type of variance. The explanation lacks clarity, detail, technical accuracy and the reasons given may not be drawn from the scenario or be relevant for the variance.	1 – 3
	Level 2	Demonstrates understanding of the meaning of at least two types of variance. The explanation lacks some clarity, detail, technical accuracy and/or the reasons given may not be drawn from the scenario or be relevant for the variance.	4 – 7
	Level 3	Demonstrates understanding of the meaning of all three types of variance. The explanation is mostly clear, detailed, technically accurate and the reasons given are mostly drawn from the scenario and relevant for the variance.	8 – 10

Task (b): Explain, whether it would be beneficial to split the Felix sales price variance into its planning and operational elements and any possible problems we would face when doing so.

Trait			
Planning and operational	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of planning and operational variances. The explanation lacks clarity, detail and application to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of planning and operational variances. The explanation lacks some clarity, detail and/or application to the scenario.	3 – 4
	Level 3	Demonstrates good understanding of planning and operational variances. The explanation is mostly clear, detailed and applied to the scenario.	5 – 6

Task (c): Suggest three KPIs that could be used to monitor the success of our digital marketing, explaining how each KPI would be measured and justifying why each would be appropriate.

Trait			
KPIs	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Provides at least one suitable KPI. The explanation of measurement and justification of appropriateness lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Provides at least two suitable KPIs. The explanation of measurement and justification of appropriateness lacks some clarity, detail and/or application to the scenario.	4 – 6
	Level 3	Provides three suitable KPIs. The explanation of measurement and justification of appropriateness is mostly clear, detailed and applied to the scenario.	7 – 9

Operational Level Case Study

November 2025 & February 2026

Marking Guidance

Variant 6

About this marking scheme

This marking scheme has been prepared for the CGMA Professional Qualification Operational Case Study [November 2025 & February 2026].

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

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

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

General marking guidance

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

How to use this levels-based 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)	C	Analyse performance using financial and non-financial information.	64%
(b)	C	Analyse performance using financial and non-financial information.	36%
Section 2			
(a)	A	Prepare costing information for different purposes to meet the needs of management.	36%
(b)	A	Prepare costing information for different purposes to meet the needs of management.	24%
(c)	E	Prepare information to support short-term decision making.	40%
Section 3			
(a)	B	Prepare budget information and assess its use for planning and control purposes.	32%
(b)	B	Prepare budget information and assess its use for planning and control purposes.	40%
(c)	F	Prepare information to manage working capital.	28%
Section 4			
(a)	E	Prepare information to support short-term decision making.	36%
(b)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	28%
(c)	D	Apply relevant financial reporting standards and corporate governance, ethical and tax principles.	36%

SECTION 1

Task (a): Explain what each of the variances shown in Table 1 means and possible reasons for each variance, based on what Stefan has told me.

Trait			
Sales and raw materials	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates understanding of at least one of the variances. The explanation of meaning lacks clarity, technical accuracy and the reasons given may not relate to the correct variance or be drawn from the information from Stefan.	1 – 3
	Level 2	Demonstrates understanding of at least two of the variances. The explanation of meaning lacks some clarity, technical accuracy and/or the reasons given may not always relate to the correct variance or be drawn from the information from Stefan.	4 – 5
	Level 3	Demonstrates understanding of at least three of the variances. The explanation of meaning is mostly clear, technically accurate and the reasons given mostly relate to the correct variance and are drawn from the information from Stefan.	6 – 7
Direct labour and variable overhead	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates understanding of at least one of the variances. The explanation of meaning lacks clarity, technical accuracy and the reasons given may not relate to the correct variance or be drawn from the information from Stefan.	1 – 3
	Level 2	Demonstrates understanding of at least two of the variances. The explanation of meaning lacks some clarity, technical accuracy and/or the reasons given may not always relate to the correct variance or be drawn from the information from Stefan.	4 – 6
	Level 3	Demonstrates understanding of at least four of the variances. The explanation of meaning is mostly clear, technically accurate and the reasons given mostly relate to the correct variance and are drawn from the information from Stefan.	7 – 9

Section 1 continued

Task (b): Explain for each of the KPI measures in the dashboard in Table 2, why it is appropriate to track this and what it indicates about the performance of the Custom Department for the 5 months to 30 November 2025.

Trait			
	Level	Descriptor	Marks
KPI dashboard		No rewardable material	0
	Level 1	Provides a limited explanation of the appropriateness of the KPIs in the dashboard and what they indicate about performance. The explanation lacks clarity, detail and reference to the dashboard and/or information given.	1 – 3
	Level 2	Provides a reasonable explanation of the appropriateness of the KPIs in the dashboard and what they indicate about performance. The explanation lacks some clarity, detail and/or reference to the dashboard and/or information given.	4 – 6
	Level 3	Provides a good explanation of the appropriateness of the KPIs in the dashboard and what they indicate about performance. The explanation is mostly clear, detailed and referenced to the dashboard and information given.	7 – 9

SECTION 2

Task (a): Explain the under-absorption adjustment in the statement of gross profit in Table 1 and how the statement would be different if a marginal costing approach had been used in November.

Trait			
Under absorption	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates a limited understanding of the under-absorption adjustment. The explanation lacks clarity, detail and reference to the information given.	1
	Level 2	Demonstrates a reasonable understanding of the under-absorption adjustment. The explanation lacks some clarity, detail and/or reference to the information given.	2 – 3
	Level 3	Demonstrates good understanding of the under-absorption adjustment. The explanation is mostly clear, detailed and referenced to the information given.	4
Differences	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates a limited understanding of the differences. The explanation lacks clarity, detail and reference to the information given.	1 – 2
	Level 2	Demonstrates a reasonable understanding of the differences. The explanation lacks some clarity, detail and/or reference to the information given.	3 – 4
	Level 3	Demonstrates good understanding of the differences. The explanation is mostly clear, detailed and referenced to the information given.	5

Task (b): Explain, the arguments for and against using marginal costing rather than absorption costing for our Production Facility.

Trait			
Arguments	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Explains at least one argument for or against using marginal costing rather than absorption costing. The explanation lacks clarity, detail and application to the scenario.	1 – 2
	Level 2	Explains at least two arguments for or against using marginal costing rather than absorption costing. The explanation lacks some clarity, detail and/or application to the scenario.	3 – 4
	Level 3	Explains at least three arguments for or against using marginal costing rather than absorption costing, with at least one of each. The explanation is mostly clear, detailed and applied to the scenario.	5 – 6

Task (c): Explain how relevant costing principles should be applied to each item in Table 2, stating any further information you would need to determine and quantify the relevant costs of the SumTrix Live event.

Trait			
Relevant	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of relevant costing principles. Application of these principles to the items in Table 2 lacks technical accuracy and the explanation	1 – 3

		lacks clarity, detail and there is no or limited consideration of further information.	
	Level 2	Demonstrates reasonable understanding of relevant costing principles. Application of these principles to the items in Table 2 lacks some technical accuracy and the explanation lacks some clarity, detail and/or there is limited consideration of further information.	4 – 7
	Level 3	Demonstrates good understanding of relevant costing principles. Application of these principles to the items in Table 2 is mostly technically accurate and the explanation is mostly clear, detailed and there is some consideration of further information.	8 – 10

SECTION 3

Task (a): Explain how a ZBB approach can be applied to create a budget for the additional promotional campaign for Custom skis, including the creation of decision packages.

Trait			
ZBB	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of ZBB. The explanation of how to apply the approach lacks clarity, detail, technical accuracy and reference to the scenario.	1 – 3
	Level 2	Demonstrates reasonable understanding of ZBB. The explanation of how to apply the approach lacks some clarity, detail, technical accuracy and/or reference to the scenario.	4 – 6
	Level 3	Demonstrates good understanding of ZBB. The explanation of how to apply the approach is mostly clear, detailed, technically accurate and referenced to the scenario.	7 – 8

Task (b): Explain the benefits and challenges of using a ZBB approach to budget SumTrix's support activity costs.

Trait			
Benefits and challenges	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Identifies at least one relevant benefit or challenge. The explanation lacks clarity, detail and application to the scenario.	1 – 3
	Level 2	Identifies at least two relevant benefits or challenges. The explanation lacks some clarity, detail and/or application to the scenario.	4 – 7
	Level 3	Identifies at least four relevant benefits or challenge, with at least one of each. The explanation is mostly clear, detailed and applied to the scenario.	8 – 10

Task (c): Explain how our investment in working capital and our operating cycle will change as a result of switching to the new supplier of edges if we take the discount. Please also explain the factors to consider when deciding whether to take advantage of the discount.

Trait			
New supplier	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of the change and/or the factors to consider. The explanation lacks clarity, detail, technical accuracy and reference to the scenario.	1 – 2
	Level 2	Demonstrates reasonable understanding of the change and/or the factors to consider. The explanation lacks some clarity, detail, technical accuracy and/or reference to the scenario.	3 – 5
	Level 3	Demonstrates good understanding of the change and the factors to consider. The explanation is mostly clear, detailed, technically accurate and referenced to the scenario.	6 – 7

SECTION 4

Task (a): Explain the maximax, maximin and minimax regret decision criteria and how we would use each of these to decide which promotional campaign to choose. Please identify the campaign that would be chosen under each criterion.

Trait			
Decision criteria	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates understanding of at least one of the decision criteria. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 3
	Level 2	Demonstrates understanding of at least two of the decision criteria. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	4 – 6
	Level 3	Demonstrates understanding of all three decision criteria. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	7 – 9

Task (b): Explain, how the old grinding machine identified in Table 3 will be classified and measured in our financial statements for the year ending 30 June 2026.

Trait			
Grinding machine	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how the grinding machine will be classified and measured. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 2
	Level 2	Demonstrates reasonable understanding of how the grinding machine will be classified and measured. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	3 – 5
	Level 3	Demonstrates good understanding of how the grinding machine will be classified and measured. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	6 – 7

Task (c): Explain how the old press identified in Table 3 will be classified and measured in our financial statements for the year ending 30 June 2026.

Trait			
Press	Level	Descriptor	Marks
		No rewardable material	0
	Level 1	Demonstrates some understanding of how the press will be classified and measured. The explanation lacks clarity, detail, technical accuracy and reference to the information given.	1 – 3
	Level 2	Demonstrates reasonable understanding of how the press will be classified and measured. The explanation lacks some clarity, detail, technical accuracy and/or reference to the information given.	4 – 6
	Level 3	Demonstrates good understanding of how the press will be classified and measured. The explanation is mostly clear, detailed, technically accurate and referenced to the information given.	7 – 9

Operational Level Case Study – Examiner’s report

November 2025 – February 2026 exam session

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

General comments

The OCS examinations for November 2025 and February 2026 were based on SumTrix, a company that manufactures and sells freestyle and touring skis. The company also sells ski accessories. SumTrix is based in Reeland, a country in Northern Europe with the R\$ as its currency.

SumTrix is owned by its three founders: Elena Ricci, Felix Schmid and Julian Fischer who started the company in 2015, when they decided to combine their engineering expertise with their love of freestyle skiing to create their own freestyle ski brand that put the rider experience first. Their goal was simple yet ambitious: to create high-quality skis that would elevate performance and improve the experience for freestyle enthusiasts.

SumTrix soon gained a reputation as a high-quality freestyle ski manufacturer and the original artwork on the skis quickly became a unique selling point. Two years ago, the founders decided to capitalise on this growth and expand into the touring ski market alongside the freestyle market.

The company manufactures all of its skis at its own Production Facility. The skis are sold throughout Europe via a network of retailers and through the company’s own website. SumTrix also sells through its website a small range of ski accessories (currently poles, helmets, goggles and gloves), which are bought in unbranded from trusted suppliers.

The company’s latest financial statements for the year ended 30 June 2025 show revenue of R\$14.1 million, a gross profit margin of 39.7% and a profit before tax margin of 5.7%.

The pre-seen, made available in advance, contained information about the background of the company, the ski industry, articles about future trends, the company’s products, key management teams, sales channels, production processes, suppliers and key raw materials, distribution, financial statements and budgets.

Six variants were written based on SumTrix. The focus of each variant was as follows:

- Variant 1: Development of the Touring range of skis
- Variant 2: Development of a newsletter and building website sales
- Variant 3: Expanding sales channels to North America
- Variant 4: Launching an adapted ski range
- Variant 5: Expanding the range of accessories available
- Variant 6: Developing the custom ski market

Each variant was based on the OCS case study blueprint and covered all core activities in accordance with the weightings prescribed. A levels-based approach was used for marking candidate answers. Each variant consisted of four tasks and each of these tasks was broken down into between two and four sub-tasks. Each sub-task was then broken down into between one and three traits for marking. For each trait there was a detailed marking guide which split the total mark available into three levels: level 1, level 2 and level 3. It was also possible to achieve a score of zero for a trait if there was no rewardable material.

For OCS, candidates need to answer the task given to them (not the task that they wanted given) and demonstrate technical understanding in the context of the scenario and the particulars of the issue being addressed. Information given to candidates as part of the task is there for a reason and should be, as far as possible, incorporated into answers, along with relevant information from the pre-seen. Application to the scenario is key to achieving high level 2 and level 3 scores. Clearly where there are gaps in knowledge, application is not possible and therefore the importance of candidates ensuring that their knowledge base is complete needs to be reiterated. In addition, to score at high level 2 or level 3 answers need to be clear and an explanation or justification rather than a description, identification or simple statement.

Candidate Performance

As is usually the case, candidate performance was varied:

- For this session there were more higher scoring candidate answers than in previous sessions, which was good to see. Such candidates consistently scored at higher level 2 or level 3 by answering the task given and producing answers which demonstrated technical understanding whilst referencing the information given to them. These answers were well-structured, with clear and detailed explanations and justifications that were applied to the scenario.
- However, there was still a significant number of poor, low scoring answers, where candidates consistently scored at level 1. As has been the case in previous sessions, most of these candidates attempted to answer all sub-tasks, but seemed wholly unprepared for the exam. These answers demonstrated poor technical understanding with limited use of the information given and no or very limited application to the scenario. In addition, these answers lacked clarity and detail.
- As a result of the above, there were less candidates in the mid range, although this is still where the majority of candidates score. Many of these candidates were mid-range because they had specific gaps in technical knowledge, which meant that they scored poorly on some sub-tasks but did well in other sub-tasks. Other candidates were in the mid range because they consistently scored at usually because of a lack of clarity and detail in answers and/or limited use of the unseen material and limited application to the scenario. Such candidates usually demonstrated reasonable technical understanding.

Specific topic areas where many candidates demonstrated good technical understanding included IAS 16, impairment, IFRS 5, decision making with risk, decision making with uncertainty, beyond budgeting and basic variances (raw materials, direct labour and sales price). The areas where candidates demonstrated a lack of technical understanding included more complex variances (fixed overhead, sales mix variances), what-if analysis and the value of perfect information.

There continues to be a lack of depth of explanation or justification in some of the tasks. Remember, an explanation requires more than a short sentence on a point or simple identification of a rule in a financial reporting standard. For financial reporting tasks, recognition of the rule and then application of that rule

to justify the accounting treatment is what is required, and this does seem to be improving. Application to the specifics of the scenario by referencing the information given is also lacking at times. There was also a lack of clarity in certain areas such as explaining the meaning of an adverse or favourable variance (this often needs to be much more specific) or how a KPI would be measured (this needs to be SMART).

With respect to the core activities, for this session candidate performance was typically best for B (budgeting), E (decision making) and F (working capital). The less competent core activities appeared to be A (costing), C (performance evaluation) and D (financial reporting) and, but this often depended on the topic area that the task was based on. Many answers were clearly laid out, with heading and sub-headings and timing did not seem to be an issue for most candidates.

To sum up, as has been noted many times before, the difference between a fail/bare pass and a good pass is often a candidate's ability to apply their technical understanding to the scenario and to incorporate this application into their answers consistently. Candidates should also pay attention to their clarity of explanation and ensure that they have addressed all parts of the sub-task. The same general advice to candidates applies to this session as much as all the previous sessions: answer the sub-task set (not what you wish had been set based on your pre-prepared answer), answer all parts of the sub-task and demonstrate technical understanding within the context of the business and the sub-task, referring as much as possible to the information given to you.

Variant 1

Task 1

The first sub-task asked for explanation of how the lease in Schedule 1 would be initially recorded and subsequently measured in the financial statements for the year ending 30 June 2026 and in future years. This tested core activity D. Candidate answers in respect of the lease liability were not strong, with most candidates scoring a lower level 2 or at level 1. Common issues were not making explicit the payments to be included in the initial recording of the lease or stating incorrectly that the initial payment would be included. Most candidates seemed to understand that the 11% interest rate was relevant, but some candidates did not articulate why. There was no reference to present value in a number of answers. In explaining subsequent measurement of the lease many candidates did not make clear how the finance charge and the payments against the lease would be treated in the financial statements. Explanation of the right-of-use asset was generally stronger, with more candidates scoring at higher level 2 or better. Most candidates explained the initial measurement accurately. It was also pleasing to see that most candidates could explain accurately why the lease would be depreciated over 12 years and not 13 years. Better candidates were able to explain that only 6 months of depreciation would be included in the current financial year.

The second sub-task asked for explanation of the analysis in Schedule 2 and two factors to be considered before going ahead with the proposed production plan. This tested core activity E. For the first part of this sub-task a key weakness was that, although it was clear that most candidates did understand that the plan had been produced based on the contribution per limiting factor (cutting hours), they failed to explain this and then relate this to the information in the table. This often limited the mark given to a level 2. Weaker candidates referred to ranking based on contribution per unit and not per cutting hour. Generally, candidates did well in coming up with other factors, and in many cases, these were explained within the context of the business and this decision. However, some candidates did not consider the commercial aspects of the decision to base the decision on limiting factor analysis.

The third sub-task asked for explanation of how to determine how much it would be worth paying to buy in the additional cutting hours required to meet full demand. This tested core activity E. Many candidates recognised that this task was about shadow pricing and gave some explanation of what a shadow price is. However, few candidates gave an accurate definition of shadow price. In addition, it was disappointing that not many candidates related their explanation of shadow price to the information in the schedule. As a result, most candidates scored at lower level 2 or lower here.

Task 2

The first sub-task asked for comparison of two potential suppliers' approaches' to working capital management and an explanation of the implications of this for the business. This tested core activity F. This task was done well by many candidates, who compared the working capital ratios of the two suppliers and demonstrated understanding of how this could impact SumTrix. Where candidates didn't score at higher level 2 or above, it was usually because they provided bland statements about each supplier against the industry average, but did not compare the suppliers. In addition, for this type of answer, there was often no insight as to the meaning of the information other than stating that one indicator was higher or lower than the other. Implications were also missing in this type of answer.

The second sub-task asked for explanation of the meaning of the expected values, standard deviations and coefficients of variation shown in Schedule 2. It also asked for explanation of how to make the

decision using a risk averse and a risk seeking approach. This tested core activity E. Many candidates still confuse risk with uncertainty and referred to maximax and maximin when explaining how to make the decision. Most candidates did understand expected value, standard deviation and coefficient of variation although this was sometimes poorly articulated. Many candidates' answers were generic and did not reference the information in the table. In addition, many candidates missed out on easier marks because they did not properly read the sub-task which was about cost and not contribution. It was common when explaining the risk attitude of a risk seeking individual, to refer to the highest value in the schedule as opposed to the lowest value. Many more candidates were able to correctly explain that a risk averse individual would choose the lowest coefficient of variation.

The third sub-task asked for explanation of the sources and types of big data that could be used to create a sales budget for the touring range of skis for the year to 30 June 2027. This tested core activity B. Many candidates were able to refer to sources of big data, although often these were quite limited and not related to the touring range of skis. To score well here it was necessary to consider where the data might come from and how it might be useful to SumTrix to build a sales budget. Possibly a lack of knowledge of the preseen material could have been a factor here.

Task 3

The first sub-task asked for explanation of how to determine the cost per download of the app based on the information in Schedule 1 and any difficulties in doing so. This tested core activity A. For the first element of this many candidates reproduced information from the task exhibit about the various costs without providing much in the way of additional value in terms of how to determine the cost per download or the nature of the costs. Candidates that scored at level 3 for this element explained that to determine the cost per download it was necessary to identify the variable direct cost per download, other direct costs divided by the number of downloads, plus the share of indirect costs divided by the number of downloads, referring to the information provided. The second element of this task on difficulties was better answered. Most candidates were able to identify the relevant difficulties of determining the cost per download, although many candidates were limited to a lower level 2 because they did not explain these in the context of the business or the information provided.

The second sub-task asked for explanation of how an activity based budgeting approach could be used to set the skilled labour budget for the Assembly Department, with reference to each of the processes detailed in Schedule 2. This tested core activity B. Some candidates confused activity based costing with activity based budgeting and referred to cost pools and fixed overheads: as a result, these candidates tended to score at level 1. Many candidates did attempt to draw out at least one appropriate cost driver from each of the three processes. However, only a few candidates, having identified appropriate cost drivers then went on to explain how this information would then be used to construct the labour budget. As a result, there were very few higher level 2 or level 3 score here.

Task 4

The first sub-task asked for explanation of what each of the variances in Schedule 1 meant and possible reasons for their occurrence. This tested core activity C. The variances were sales price, sales mix and sales quantity variances for both the website and for retailer sales. Many candidates are still unable to explain the meaning of variances and either make a simple statement about whether they're adverse or favourable or state how they are calculated. For example, for the adverse price variance, it was important to explain that the actual selling price was lower than the budgeted selling price. There was no need to explain the calculation. To score well, it was necessary to show understanding of each of

the three types of variances and suggest some reasons that made sense based on the scenario. Candidates did better on explaining reasons rather than meaning and so scores tended to be at level 2.

The second sub-task asked for explanation of whether splitting the variances into their planning and operational elements could help to assess the performance of each Head of Sales in generating sales of the Touring range. This tested core activity C. Most candidates gave a generic explanation of planning and operational variances and articulated how they were related to control. However fewer students were able to relate planning and operational variances to the variances provided in task. Candidate's that were able to contextualise this to the Head of Sales' performance scored at level 3.

The third sub-task asked for suggestions of three KPIs to monitor the performance of the website in generating sales, explaining how each KPI would be measured and why it would be appropriate. This tested core activity C. Most candidates did fairly well here, however, as usual it was difficult for candidates to express how each KPI would be measured. Some candidates suggested KPIs that were more appropriate for the performance of the products in general rather than for the performance of the website.

Variant 2

Task 1

The first sub-task asked for explanation of the figures in the what-if analysis in Table 1 and what they indicated about the impact on budgeted profit of different discount levels, sales volumes, and variable cost per skis. This tested core activity B. Many candidates scored at level 1 because they made only brief, descriptive comments on the data in Table 1, with very little if any analysis of the information. The task asked candidates to consider the impact on budgeted profit of the three variables but very few candidates made these comparisons. For example, it should have been clear to candidates from Table 1 that the profit would be lower in all cases if only 475 pairs of skis were sold, but very few candidates made even this basic comment.

The second sub-task asked for explanation of what each of the three statistical measures in Table 3 meant, and to also explain, using the information in the tables, how a risk seeking, a risk averse and a risk neutral decision maker would choose the discount level, stating the decision made in each case. This tested core activity E. Candidates generally made a better attempt at this sub-task, with many candidates demonstrating good technical understanding of the measures, although explanations of standard deviation and coefficient of variation were sometimes not very clear, which stopped a level 3 score. In terms of the risk attitudes, technical understanding of risk neutral and risk averse was generally good, although risk seeking less so. A common suggestion was to recommend a 10% discount level using Table 3 (using the highest EV as justification), when the best profit was much higher at R\$245,900 from Table 1.

The third sub-task asked for explanation of any limitations of the what-if information included in Table 1 and any drawbacks of using expected value to make the decision. This tested core activity E. There were too many brief answers here, and as a result scores tended to be lower level 2 or below. Most candidates could make one or two relevant comments, but they tended to be rather generic points and limited to comments on the drawbacks of using expected value rather than any limitations of the what-if information in Table 1. Popular comments made were that expected value is not suitable for one-off decisions and that probabilities are subjective. Whilst some marks were awarded, these comments were often not justified within the specific context of the decision being made.

Task 2

The first sub-task asked for explanation of the information in Schedule 1 and also an explanation of the assumptions of the EOQ model and whether it would be appropriate to use in relation to ski accessories. This tested core activity F. Many candidates simply described the schedule provided without any analysis of how different order sizes affected the different costs or any commentary of what the cheapest option would be. As a result, scores for the first trait were disappointedly mostly at level 1. However, most candidates made a reasonable attempt at explaining some of the main assumptions of the EOQ model and whether the model would then be appropriate for SumTrix to use. For example, many candidates recognised that SumTrix was a highly seasonal business and therefore the use of EOQ would not be appropriate. These candidates tended to score at higher level 2 or level 3 for the assumption's trait. There were clearly some candidates that had no technical knowledge of the EOQ model, and such candidates often commented on inventory management more generally or just-in-time, which scored no marks as such comments were not relevant.

The second sub-task asked for explanation of the features of a digital costing system and how this could be useful for purchasing and costing within the business. This tested core activity A. Most candidates

demonstrated a general understanding of the features of digital costing systems, including comments on links to suppliers, benefits of real time data and being able to handle a large amount of data. However, such comments were usually generic without any attempt to add context from the scenario. In terms of the usefulness for purchasing and costing, most candidates focused on the usefulness for purchasing, rather than costing, but usually made relevant points such as being able to compare a wider range of suppliers and their prices and lead times. The usefulness for costing was often not included or limited to the usefulness for pricing decisions by monitoring competitors and supplier prices. Few candidates included the benefits of digital costing for cost control, performance evaluation or customer profitability. Again, application to the context of the scenario was often missing and as such scores tended to be at mid level 2.

Task 3

The first sub-task asked for explanation of the features of beyond budgeting and, for each feature, an explanation of the benefits to SumTrix and how it might help to address the quality and sustainability concerns of the SMT if used to create budgets for the production departments. This tested core activity B. Many candidates demonstrated sound technical understanding and commented on rolling budgets, local manager involvement in budget setting, and the use of external benchmarks and KPIs. What was sometimes less well done was linking answers to the SMTs concerns about the impact on quality of teams working faster. So, although many candidates could explain the main features of beyond budgeting, they didn't always go on to link this into the quality and sustainability issues. As a result, scores tended to be mid to higher level 2. Weaker candidates who didn't know what beyond budgeting was about tended to explain other processes, for example the features of zero based budgeting or ERP which wasn't answering the task set and scored no marks.

The second sub-task asked for explanation of what the KPIs and the information in Schedule 1 told the company about customer use of the newsletter, promotional videos and promotional discount. This tested core activity C. Many candidates made a reasonable attempt at this sub-task. There was quite a lot of material for candidates to read and absorb, and most candidates structured their answers in order of the five KPIs given to them. Weaker answers were either far too short or too descriptive, for example just saying what the 3-month trend was for each KPI (up or down) with little additional commentary. Better answers attempted to explain the KPI trends using the analysis table, which was the correct approach to have taken. Some candidates, having done some analysis, then arrived at an overall conclusion on whether funding should be provided to expand the ski video series which was good to see. Such candidates tended to score at level 3.

Task 4

The first sub-task asked for explanation of how each of the items listed in Schedule 1 would be treated in the financial statements for the year ending 30 June 2026, including the impact of that treatment on profit or loss for the year. This tested core activity D. Most candidates demonstrated sound knowledge and understanding of IAS 36 and impairment in their answers for the damaged ski press and many scored at high level 2 or level 3. The main weakness in some answers was the failure to justify comments by jumping to the correct impairment of R\$10,500 without fully explaining the impairment rules. The need to change the asset's useful life and to prorate the impact of this (2 months) was recognised by most candidates. In contrast, the impact of the damaged inventory was not well attempted. Many candidates stated the correct rule within IAS 2 but then were unsure about the implications of this. For example, some incorrectly used a NRV of R\$7,200 and a minority also used R\$40,000 in their answers. There was also a lot of uncertainty over how to treat the one-off cost of R\$450 with many saying this

cost should be expensed and some candidates saying it should be added to the production cost to date. Even a significant number of those candidates who did understand how to apply IAS 2 made the mistake of treating the R\$450 as a unit cost rather than a total cost for all ten pairs of damaged skis.

The second sub-task asked for explanation of what each of the variances in Schedule 2 meant and possible reasons for their occurrence. This tested core activity C. Although this type of question has often been asked before, many candidates are still unsure about some of the fixed overhead variance meanings. In particular, very few candidates could explain the meaning of the fixed overhead capacity variance with those who attempted an answer usually saying that this variance meant that production was higher than planned, instead of saying that it was due to having more direct labour hours available than budgeted. Some candidates also thought that the fixed overhead expenditure variance was due to an increase in production volume, rather the recruitment of two additional supervisors. In contrast, most candidates' explanation of the direct labour variances were reasonable. However, there was sometimes a lack of clarity over the word "budget" as to whether this referred to the original budget or a flexed budget, and very few candidates referred to the impact of the increased rate of employee tax on the company. There was also a lack of clarity in many answers for the idle time variance which needed to be more clearly stated as the difference between hours paid and hours worked.

Variant 3

Task 1

The first sub-task asked for explanation of what the three trend lines and seasonal variations information shown in Chart 1 and Table 1 indicated about sales of freestyle skis in North America. It also asked for explanation of how this information could be used to determine a sales volume forecast for the Freestyle range in North America for the first 12 months. This tested core activity B. The first element of this sub-task on what the trend lines and seasonal variations indicated was well done, with many candidates achieving a level 3 score. These candidates identified the pattern of the trend and linked this to George Bosun's win in year two as well as clearly explaining the seasonal variations and how these linked to the ski season. However, the second element of this sub-task was not well answered, and indeed many candidates made no comments at all on how the information could be used to create the forecast (perhaps because they had not read the sub-task fully). Where candidates did attempt to explain how to use the information, this usually lacked technical accuracy and clarity. Very few candidates picked up that the trend would need to be extrapolated into the future, let alone how this could be done. Some candidates did explain how the seasonal variations would be applied, but often this lacked clarity. As a result, for this element of the sub-task, scores tended to be a level 1, which was disappointing.

The second sub-task asked for explanation of any factors associated with using the data and the approach that would affect the accuracy of the forecast. This tested core activity B. This was reasonably well done by many candidates who were able to identify factors such as based on past information, the impact of one off events such as the George Bosun win and the nature of the market. Those candidates that scored at higher level 2 or at level 3 did so because they identified relevant factors and then explained these in the context of SumTrix and the information given, providing application.

The third sub-task asked for explanation of the benefits of using big data and big data analytics for creating sales revenue forecasts for North America. This tested core activity B. Most candidates were able to identify and attempt to explain the benefits of using big data and big data analytics, but often failed to apply this to skiing in a wider sense or to the creation of sales revenue forecasts for the new market. As a result, many answers were quite generic, which meant that scores were limited to mid to lower level 2.

Task 2

The first sub-task asked for an explanation of a decision tree and how to use it to make the decision about which agent to choose based on a risk neutral approach to the decision. This tested core activity E. Most candidates identified the decision points as squares and the possible outcomes points as circles, but failed to add value to their answer by explaining any of the information in the tree. Only a few candidates gave a complete answer here in terms of explaining how to use the tree. What was expected was clear explanation of considering each decision point in turn (starting with point A), with reference to the decision made at each decision point. Most candidates demonstrated understanding that the decision should be based on the highest expected value, and many did reference the expected value information to arrive at the decision. However, this was often done without explaining how to use the tree and therefore was not fully answering the sub-task. Some candidates forgot to deduct the additional campaign costs. Overall, most candidates ended up at mid level 2 here.

The second sub-task asked for explanation of the limitations of using the decision tree and the approach to make our decision. This tested core activity E. There were some good level 3 answers here where candidates give a range of relevant limitations (covering both the use of expected value for decision

making and the information in the decision tree) and explained these in the context of the information being used and the decision to be made. However, other candidates gave limitations that were ambiguous and not really applied to the scenario, often giving the same points as used in the time series question in the previous task. Such answers typically scored at lower level 2. Some candidates missed out on a level 3 score because they focused exclusively on the use of expected value.

The third sub-task asked for explanation of the factors that needed to be considered when determining the level of finished goods inventory to hold in the Goods Outwards Warehouse to support sales to North America. This tested core activity F. This was usually well answered with many candidates scoring at higher level 2 or level 3. Such answers gave a range of factors such as forecast demand, lead times and obsolescence, with application to the specifics of the scenario. Where candidates didn't score well it was usually because of a lack of application to the scenario.

Task 3

The first sub-task asked for explanation of the four fixed production overhead variances in Schedule 1 and possible reasons why each variance had occurred. This tested core activity C. There still seems to be a lack of technical understanding of fixed production overhead variances. Most candidates seemed to understand that the expenditure variance meant that more or less was spent than budget, but many failed to comment that, in this case, the adverse variance meant that more was spent than budget. For the efficiency variance, many candidates did recognise that this related to direct labour hours, but often failed to articulate that the adverse variance meant that more direct labour hours were used for actual production than should have been based on the standards. Some candidates made bland statements that the adverse variance meant that workers were less efficient, without clarifying what efficient meant. In a similar vein, many candidates stated that the favourable capacity variance meant that capacity was increased and did not link this to direct labour hours. The total variance was often ignored (despite the task clearly asking for explanation of the four variances). Even where an explanation for this was attempted, very few candidates recognised an under-absorption. As is usually the case, candidates were better at providing reasons than articulating the meaning of the variances.

The second sub-task asked for explanation of the usefulness of the fixed production variances for managing fixed production overheads. This tested core activity C. Some candidates ignored this sub-task. Where candidates did attempt an answer, many were able to explain how identifying variances encouraged corrective action and that the standards required updating for the current situation, which were relevant points.

The third sub-task asked for explanation of what is meant by each category of the activity cost hierarchy in the context of the production of skis. It also asked for examples of production overheads for each of these categories based on the Assembly Department processes in Schedule 2. This tested core activity A. On the whole answers were disappointing, with most candidates either at level 1 or low level 2. Whilst many candidates appeared to understand the concept of activity based costing (ABC), they were not able to answer the sub-task, seemingly due to a lack of knowledge about the hierarchy. Where candidates did attempt to explain the hierarchy rather than comment about ABC in a general sense, answers lacked technical understanding that this was about the base on which overhead costs varied (unit, batch, product or facility). Only a few candidates were able to articulate the meaning of the hierarchy. In terms of examples, some candidates gave examples of direct costs and not overheads.

Task 4

The first sub-task asked for explanation of how adopting a revaluation policy for property would affect the financial statements for the year ending 30 June 2027, assuming that the revaluation occurred on 1 July 2026. This tested core activity D. Like with many financial reporting tasks, candidates either had the technical understanding (and scored well) or they did not (and scored poorly). Those candidates that scored well recognised the need to treat each property separately and that gains would be reflected in a revaluation surplus and losses would be charged to profit, given that the properties had not previously been revalued. Where candidates didn't score so well, it was because they either treated the losses as a reduction of the revaluation surplus or they considered only the overall position and not the individual assets. Good candidates did pick up on the impact on depreciation going forward, although many failed to consider this at all.

The second sub-task asked for explanation of how many years the company should depreciate the computer equipment over in the financial statements and how it would subsequently deal with a change in the useful life of the equipment if this were to happen. This tested core activity D. Candidates that scored well on this sub-task were able to explain the purpose of depreciation, and then why 5 years was the correct application for the computer equipment in this scenario. However, these candidates were in the minority, as most candidates gave confused answers here and often hedged their bets between the two possibilities.

The third sub-task asked for suggestion of three KPIs, suitable for monitoring the performance of the North America Distribution Centre Manager, explaining, for each KPI, how it would be measured and justifying why it would be appropriate. This tested core activity C. Most candidates came up with three sensible suggestions, utilising the information in the unseen information about the responsibilities of the manager. As is usually the case with KPI sub-tasks, candidates lost marks because they failed to give a clear explanation of how the KPI would be measured or failed to justify why it was appropriate.

Variant 4

Task 1

The first sub-task asked for explanation of how an old press would be treated in the financial statements for the year ending 30 June 2026. This tested core activity D. Most candidates were able to recognise that the press would be treated as an asset held for sale and were able to list some of the criteria for classification as such. Lower scoring candidates (mid level 2 or lower) tended to list the criteria. However, to score well, it was necessary to justify why each criterion was met using the information provided. Most candidates attempted an explanation of how to value the press. However, many candidates subtracted the service cost from the carrying amount rather than the fair value of the press. This demonstrated a lack of technical understanding and led to some confusing answers. Finally, many candidates omitted to comment that the press would be moved to the current assets section of the statement of financial position. Overall, candidates that demonstrated technical understanding and justified the treatment with reference to the information scored at level 3, with a number awarded full marks.

The second sub-task asked for explanation of how the expenditure related to the new press would be treated in the financial statements for the year ending 30 June 2026. This tested core activity D. A disappointingly low number of candidates justified why the new press would be treated as part of property, plant and equipment with reference to the recognition criteria in IAS 16. This usually limited scores to level 2 or lower. Most candidates correctly identified which costs would be classified as part of the cost of the asset. As above, lower scoring candidates did not justify why each cost would be capitalised or made no reference to the directly attributable rule. Justification is key in such sub-tasks to show application of the relevant financial reporting standard to the situation. Most candidates could explain how the press would be depreciated and made good use of the information provided.

The third sub-task asked for explanation of what the information in Schedule 2 told the company about the demand for adapted winter sports equipment and whether it was useful for creating the forecast of sales volume for the new Adapted range. This tested core activity B. Candidate answers to the first part of the sub-task usually lacked detail. Many candidates focused on the seasonal variations and linked the higher sales in January to March and in October to December to the ski season. Whilst this demonstrated good application, most candidates did not explain what a seasonal variation is or did not explain the trend line and therefore were not demonstrating technical understanding. Some candidates failed to comment on the trend at all. As a result, most candidates scored at mid to lower level 2 for the first part. In contrast, most candidates were able to provide sensible points about the usefulness of the information, often drawing on the scenario to comment on factors such as the broadness of the winter sports market. As a result, scores tended to be at higher level 2 for this part.

Task 2

The first sub-task asked for suggestions of four key performance indicators (KPIs), two for each post, to monitor the performance of the new coordinators. It also asked for explanation of how each KPI would be measured and why it is appropriate. This tested core activity C. Candidates did reasonably well at suggesting suitable KPIs and justifying why they would be appropriate. However, candidates continue to make the mistake of not clearly defining how the KPI would be measured. Lower scoring candidates often failed to actually suggest a KPI, instead discussing the responsibilities of each role. To score well on this sub-task it was necessary to suggest a clear and measurable KPI that related to the relevant post's remit, justify why it was appropriate and explaining how it could be measured. In relation to both

posts, some candidates suggested KPIs related to the success of the product range and not to the performance of the post holder.

The second sub-task asked for explanation of Schedule 1, and based on the principles of short-term decision making, how the company should decide which type of fully assembled outriggers should be purchased from POP in April. It also asked for explanation of two possible implications of buying the fully assembled outriggers from POP. This tested core activity E. This sub-task proved difficult for candidates and very few were able to score at higher than lower level 2. Most candidates did recognise that, because labour was limited, labour hours had something to do with the decision. However, few candidates could articulate what the schedule was showing or explain the principles supporting the calculations and then the ranking of the products. Most candidates came up with a recommendation, even though this was not actually required, but this was rarely based on a logical justification. The second part on implications was better answered, with some well applied points made.

Task 3

The first sub-task asked for explanation of what the variances in Schedule 1 meant and possible reasons for their occurrence. This tested core activity C. Candidates often provided a description of how each variance was calculated rather than explain the meaning of the variance in relation to adverse and favourable. An example of a good explanation of the meaning of the fixed overhead efficiency variance would be: 'The fixed overhead efficiency variance was adverse which means that more labour hours were used, for the actual number of skis produced, than should have been based on standard labour hours. Some candidates stated in relation to the fixed overhead efficiency variance that 'labour was less efficient'. Whilst this is true, it scores no marks because it does not explain what efficient means in this context. Many candidates also demonstrated a lack of understanding of the capacity variance and referred to units of production rather than labour hours in relation. These have been common errors in previous sessions. Candidates were better at identifying reasons for the variances, but a lot of answers lacked depth and stopped after explaining just one reason when for some variances more reasons were given in the scenario. Overall, most candidates scored in the mid range for this sub-task.

The second sub-task asked for explanation of how an activity based costing approach would differ from the current method of allocating production overheads and how it could be applied to the Adapted range using the information in Schedule 2. This tested core activity A. Most candidates were able to identify the differences between the two costing approaches, but often answers lacked sufficient depth to make this an explanation. There were some high scoring level 3 answers where candidates made excellent use of the information to explain how ABC would be applied, providing sensible and well justified cost drivers for all three stages of the production process. At the other extreme, there was some very disappointing low scoring answers where candidates made some vague statements about cost drivers, without any sensible reference to the information.

Task 4

The first sub-task asked for explanation of why a minimum price may differ from the total cost shown in Schedule 1. It also asked for justification of whether or not each item should be included in the bid based on relevant costing principles. This tested core activity E. To score at level 3 on this sub-task relied not only in the correct identification of each cost as relevant or not relevant, but also justification of why this was the case. Many candidates lost marks as they merely stated the relevant cost and did not provide any further justification or explanation. Common errors included labour (where many candidates omitted

the normal cost of labour) and the design costs (where candidates failed to recognise that only one design would be required for all of the skis).

The second sub-task asked for explanation of the factors that should be considered when granting credit and when setting credit limits for Alpine Rush. This tested core activity F. Most candidates used the information and were able to discuss the relevance of longer inventory and payables days. However, many candidates did not explicitly discuss credit terms. Few candidates referred to the other information about the size of the company or to the overdraft and the risk to liquidity. As a result, scores tended to be mid level 2.

The third sub-task asked for explanation of the features of rolling budgets and how they could improve motivation and control at SumTrix. This tested core activity B. Most candidates did well on this task, with quite a few scoring at level 3. Explanation of the features of rolling budgets was generally good, demonstrating technical understanding. Many candidates did focus on motivation and control, but a weakness in some cases was a lack of differentiation between motivation and control. Lower scoring candidates commented more generally about the benefits of rolling budgets. Some candidates also identified drawbacks of rolling budgets which was not required and wasted time.

Variant 5

Task 1

The first sub-task asked for explanation of the potential benefits of integrating the internal systems and of having automated external links if the company implemented a digital costing system for the Distribution Centre, with reference to the information in Table 1. This tested core activity A. Most candidates scored at level 2 here. There were a few excellent level 3 answers where candidates explained numerous benefits of both internal integration and external links, referring to the information given within the context of a significant expansion of the range of accessories. Where candidates did not score well it was usually because of one or more of the following: providing brief generic points about the benefits of a digital costing system; not focusing on internal integration and external links; assuming that the information in the table was comparing the current situation with the situation after implementation of a digital costing system or not referencing the information at all. Some candidates also commented on digital costing systems in the context of the production of skis rather than for the Distribution Centre. Others focused on explaining the reasons for the changes in the information in the tables, rather than use this information to support their discussion about how a digital costing system would be beneficial.

The second sub-task asked for explanation with appropriate justification, of how the information in Table 2 would be reflected in the financial statements for the year ending 30 June 2026, including details of how the lease liability and right-of-use asset would be initially recorded and subsequently measured. This tested core activity D. Candidates were better at explaining how to initially and subsequently measure the right-of-use asset than the lease liability. For the right-of use asset most candidates were able to accurately explain initial measurement and apply this to the information given. They were also able to justify the depreciation treatment with most picking up on the 5 years and the pro-rata. Some candidates lost marks because they failed to comment on the insurance premium. For the lease liability, most candidates scored at lower level 2 or level 1. Many candidates ignored the residual value guarantee or incorrectly stated that R\$80,000 would be included. A number of candidates also failed to comment on the subsequent measurement of the lease liability, although most did say that it would be split into its current and non-current elements.

Task 2

The first sub-task asked for explanation of the importance of preparing budgets for the new Distribution Centre and how these budgets would assist Gavin to manage the new centre. This tested core activity B. This was not well answered. If the sub-task had been to explain the different ways to budget, candidates will have scored more, as frequently time was wasted describing zero based budgets, rolling budgets and participative budgets. Some candidates failed to recognise that this was about the new Distribution Centre and instead described the benefits of budgeting for the production of skis. For the most part, answers lacked application, and as a result most candidates scored at mid level 2 or lower.

The second sub-task asked for explanation of how the decision about which potential contract to choose would be made using a risk neutral, risk seeking and risk averse approach, stating the choice made under each approach. This tested core activity E. A number of candidates scored full marks here and there were a significant number of level 3 answers, which was good to see. As has been the case in the past, common errors were to comment on the maximin decision approach for a risk averse decision maker, rather than coefficient of variation. Whilst on the whole this was well answered, there were some candidates that scored nil as they did not seem to have any technical understanding.

The third sub-task asked for explanation of the limitations of using these decision approaches and the information used to create Table 1 to make this decision. This tested core activity E. The quality of candidate answers was mixed. Many candidates either explained the different decision-making approaches themselves or gave generic answers about the information in the question, which limited the marks awarded. Most candidates did comment on the weakness of using expected value for one-off decisions and that the probabilities were estimated, but often failed to provide any further comment.

The fourth sub-task asked for explanation of the factors to consider when deciding whether to pay R\$3,000 for the perfect information. This tested core activity E. Most candidates recognised the need to consider the cost of the information against its value, but often this was as far as an answer went. Few candidates defined perfect information or how the value of perfect information would have been calculated. It was disappointing that so few challenged the accuracy of the information that would be obtained, although some candidates did pick up that risk attitude would influence whether or not to buy the perfect information.

Task 3

The first sub-task asked for explanation of the impacts of option 1 and option 2 on budgeted revenue, contribution and profit for the clothing and accessories range, with reference to Table 1. This tested core activity B. Many candidates simply repeated the information in the table, rather than explained the changes, which scored no marks. Others did attempt to add value to the information in the table by trying to explain the changes but often only accurately commented on revenue. Some candidates knew that sales volume would increase in each case, but failed to quantify this in line with the increase in total variable costs. These sorts of answers tended to score at level 1. Those candidates that commented on the specific increase in sales volume, the impact on contribution margin and focused on the impact of absolute changes in contribution and fixed cost against profit scored at level 3.

The second sub-task asked for explanation of the factors to consider before using this what-if analysis to decide which option to implement. This tested core activity B. Most candidates focused on issues such as the accuracy of the estimates in the what-if analysis and the non-financial factors that should be considered in the decision (such as the long term benefits of option 2). Few candidates commented on the suitability of the assumptions underpinning the what-if analysis such as the variable cost per unit being constant and no step in fixed costs, or factors such as the simplicity of the analysis and the lack of probabilities. As a result, candidate scores tended to be a lower level 2 or level 1.

The third sub-task asked for explanation of what Chart 1 showed, and the suitability of using the EOQ model for ordering ski helmets and other product lines in the expanded clothing and accessory range. This tested core activity F. Candidate answers for the first part of this sub-task were generally good. Most picked up that there were stock outs and the seasonality of sales. There were a lot of level 3 scores for this trait. Unfortunately, this was not the case for the second part of this sub-task. When asked about the suitability of the EOQ model, a good approach is always to consider the appropriateness of the assumptions that underpin the model. Many candidates failed to do this. Where candidates did consider the assumptions, this was often limited to constant demand. However, some candidates concluded that due to the seasonality shown in Chart 1, that the EOQ was suitable as it would smooth out the ordering so that the company could stock up in low season to have stock available in the busy season. This showed a lack of understanding of how the EOQ model works.

Task 4

The first sub-task asked for explanation of what the variances in Table 1 meant and possible reasons for their occurrence. This tested core activity C. Most candidates accurately explained the meaning of the sales price variances and gave the correct reasons, which was good to see. In a similar vein, many candidates gave an accurate explanation of the meaning of the total quantity variance and provided suitable reasons. What let many candidates down, however, was the lack of technical understanding demonstrated for the sales mix variance. This variance was based on the weighted average method, but most candidates, where they did comment on mix, gave answers that would have supported the meaning of the variances using the individual units method. Some candidates limited their scores because they failed to give a clear and explicit meaning, although the reasons were usually correct. As is always the case with variance questions, explaining the meaning of a variance is about explaining that for example an adverse sales price variance means that average selling prices were lower than standard.

The second sub-task asked for explanation of whether it would be beneficial to split the Felix sales price variance into its planning and operational elements and any possible problems faced when doing so. This tested core activity C. There were some good, high scoring answers to this where candidates defined each type of variance, commented on control and then applied this to the sales price variance by explaining some of the issues. However, many candidate answers were brief and unapplied.

The third sub-task asked for suggestions of three KPIs that could be used to monitor the success of the digital marketing, explaining how each KPI would be measured and justifying why each would be appropriate. This tested core activity C. For this sub-task it appeared that candidates were better at identifying a relevant KPI, explaining how it was calculated and saying why it is chosen. High scoring answers concentrated on the click rates from emails and social media and thought about uplifts in sales volumes or value. Candidates that didn't score well, often gave KPIs that were not linked to marketing (for example, using cart abandonment rate). It was disappointing to see that few candidates considered measures that compared the cost of the marketing against the benefits from it.

Variant 6

Task 1

The first sub-task asked for explanation of what each of the variances shown in Table 1 meant and possible reasons for each variance, based on what Stefan had said. This tested core activity C. Most candidates could accurately explain the meaning of and reasons for the two sales variances, which was good to see. However, many candidates struggled on the production variances. Many candidates used the word budget when attempting to explain the meaning of the production cost variances, but it was often not clear, whether this was the original budget or the flexed budget. This was particularly relevant when explaining the usage and efficiency variances. Also, a fairly common problem in candidates' answers was their inability to explain the meaning of the idle time variance. Quite often candidates simply stated that the adverse variance meant that there had been more idle time, but didn't define what idle time is (that is, time where employees are paid where they are not being productive). There was also often a lack of understanding of the reason for the direct labour efficiency variance with many candidates saying this was due to training (which was a reason for the idle time variance) when the reason should have been that the new material required more pressing and grinding time.

The second sub-task asked for explanation, for each of the KPI measures in the dashboard in Table 2, why it was appropriate to track this and what it indicated about the performance of the Custom Department for the 5 months to 30 November 2025. This tested core activity C. Many candidates made a good attempt at this sub-task, demonstrating analytical skills and good application to the scenario to justify the appropriateness of the measures. Such candidates tended to score at higher level 2 or level 3. Unfortunately, some candidates lost relatively easy marks by failing to fully answer the sub-task, often missing the justification of appropriateness. When discussing performance some candidate answers were too descriptive, simply commenting on the trend lines as better or worse over the 5-month period. Better candidate answers attempted to explain the KPI trends using the information provided by Stefan for the variances in sub-task (a), which was the correct approach to have taken.

Task 2

The first sub-task asked for explanation of the under-absorption adjustment in the statement of gross profit in Table 1 and how the statement would be different if a marginal costing approach had been used in November. This tested core activity A. Most candidates struggled to accurately explain the under-absorption adjustment, demonstrating a lack of technical understanding of absorption costing. Few candidates defined that the adjustment was calculated as actual overhead incurred less overhead absorbed and that the overhead absorption rate was based on both budgeted direct labour hours and budgeted overhead. Some candidates did recognise that fixed production overheads were absorbed on a direct labour hour basis but then incorrectly concluded that the R\$8,000 under-absorption must have been due to actual production being lower than budgeted. Candidates were provided with the information that actual fixed production overheads were R\$14,000 higher than budget so this should have led to the conclusion that whilst the actual expenditure was higher than budget, direct labour hours must have been lower than budget to compensate. Very few candidates scored above a low level 2 here. In contrast most candidates could explain how the statement would be different under marginal costing. Most candidates commented on product cost, contribution and the treatment of fixed production overhead as a period cost. Some candidates also went on to correctly say that the November gross profit would be higher using a marginal costing approach because the closing inventory was lower than the opening inventory in the month. There were a significant number of level 3 scored for this part of the sub-task.

The second sub-task asked for explanation of the arguments for and against using marginal costing rather than absorption costing for the Production Facility. This tested core activity A. This was reasonably well answered by most candidates who demonstrated technical knowledge. Popular comments were that marginal costing was useful for short-term decision making but that absorption costing helped to make sure that products were not under-priced and complied with financial reporting regulations.

The third sub-task asked for explanation of how relevant costing principles should be applied to each item in Table 2, stating any further information needed to determine and quantify the relevant costs of the SumTrix Live event. This tested core activity E. Candidates seem to be well prepared for a relevant costing task, and so there were some good high scoring answers here. Most candidates applied their understanding of relevant costing principles to correctly identify and then justify the relevant and irrelevant costs associated with each cost item. However not many candidates commented on any further information that might be needed, for example if there were any other costs in the contract that could not be avoided if the event did not go ahead. Also, some candidates lost marks because they did not fully justify why a cost was relevant or not.

Task 3

The first sub-task asked for explanation of how a ZBB approach could be applied to create a budget for the additional promotional campaign for Custom skis, including the creation of decision packages. This tested core activity B. This was not well answered by most candidates because of a lack of depth to answers. There was a clear pointer in the sub-task to include some explanation of decision packages relevant to the additional promotion campaign, but most candidates failed to do this and therefore limited their score to level 1 or lower level 2. Despite the context provided, many candidates simply explained how ZBB differed to the company's normal practice of incremental budgeting, which was disappointing.

The second sub-task asked for explanation of the benefits and challenges of using a ZBB approach to budget SumTrix's support activity costs. This tested core activity B. There were many disappointing answers here usually due to the brevity of the answer. A number of candidates gave bullet points rather than fully explained benefits and challenges. This sub-task was assigned 40% of the marks for this section, and what was expected was four or five well developed points covering both benefits and challenges. Most candidates made valid, if rather obvious points, for example that ZBB would help remove past inefficiencies but would be time consuming, or costly, and that training may be needed. There were many other valid points that could have been made such as ZBB would help to ensure that support activities are viewed as important and not just a cost, and that it can be difficult to quantify some potential benefits of support activities.

The third sub-task asked for explanation of how the investment in working capital and the operating cycle would change as a result of switching to the new supplier of edges if the company took the discount. It also asked for an explanation of the factors to consider when deciding whether to take advantage of the discount. This tested core activity F. This sub-task was again not well answered. Whilst candidates correctly explained that working capital is inventory plus receivables less payables, many could not explain the impact of taking the discount. A common error was to say that paying the new supplier earlier than the current supplier would reduce rather than increase working capital and the operating cycle. The second part of this sub-task was also often poorly answered, and sometimes not considered at all. A fairly common approach taken by candidates was to assume that taking the 1% discount offered would lead to larger orders so that more investment in inventory would be needed, or that receivable days may need to be reduced. The sub-task was much simpler than this and required

candidates to explain factors such as cash availability for paying suppliers within 15 days, and the cost-benefit of a 1% saving in purchase cost against higher financing costs.

Task 4

The first sub-task asked for explanation of the maximax, maximin and minimax regret decision criteria and how to use each of these to decide which promotional campaign to choose, identifying the campaign that would be chosen under each criterion. This tested core activity E. Candidates are well prepared for this type of sub-task and most scored at higher level 2 or level 3. Marks were sometimes lost because of the brevity of the answer and confusion over minimax regret.

The second sub-task asked for explanation of how the old grinding machine identified in Table 3 would be classified and measured in the financial statements for the year ending 30 June 2026. This tested core activity D. This was also well answered with many candidates demonstrating sound technical understanding of impairment. Some candidates did try and justify that the machine would be an asset held for sale despite the clear statement that the company was going to keep it for spares. Where candidates did sometimes lose marks was in their application of the impairment valuation rule, with a number of candidates ignoring the value in use.

The third sub-task asked for explanation of how the old press identified in Table 3 would be classified and measured in the financial statements for the year ending 30 June 2026. This tested core activity D. As above, this was also well answered, with many candidates scoring at higher level 2 or level 3. Most candidates explained that the old press should be classified as an asset held for sale and justified this by commenting on some of the criteria in context. However, some candidates failed to recognise the key date of 1 June and there was also a lot of confusion over how to record the reconditioning costs of R\$3,000. Some candidates said that this should be expensed, and some candidates said the R\$3,000 should be added to the carrying amount of the press

Tips for future candidates

There are several key points to consider when preparing for future Operational level case study examinations. These points are the same as in previous reports and are:

- Key to achieving a score at level 2 and above is to ensure that:
 - You have the technical knowledge and understanding of all of topics included in each of the core activities. It is not sufficient to rely on the fact that you remember it from the OTQ exams or from your FLP studies, because the chances are you won't. You need to revise technical material: if you don't have the knowledge, you can't score well.
 - You are able to apply your technical knowledge and understanding within the case study context. Simply reproducing rote-learned answers or pure knowledge of a topic area will score very few, if any, marks. Similarly, taking a non-targeted approach to an issue and commenting on everything that you know about it from a theoretical point of view will score few marks.
 - You are able to explain with clarity and comprehensively, rather than making unsupported statements. Writing comments such as, "this improves decision making", "this graph is essential" or "planning is enhanced" is not enough to gain any marks. Candidates must explain "how" and "why" this is the case. Explanations can quite often be improved by adding "because of" at the end of a sentence. Explanations should also utilise the information given to you within the case study itself, especially financial information. For example, reasons for variances are often given to you in the unseen information, the skill is to pick this out and use it.
- To help you achieve this you need to:
 - Study the pre-seen material in depth. Ensure that you are very familiar with the business, especially the financial information, before the exam as this will help you with applying your knowledge and will save you time. Similarly, an awareness of the industry that the business is in will help you to think of the wider issues that might impact on decisions that you could be asked to comment on.
 - Practise, practise, practise past OCS exam tasks. Practising past tasks and then checking against the published answers will help you to understand what the examiner is looking for.
- On the day:
 - It is important to take time to plan your answer so that you are able to apply your knowledge to the specifics of the case. I suggest that for certain tasks you plan your answers in the answer screen itself. For example, if you are asked for the potential benefits and problems of activity based costing, I suggest that you first note down headings for benefits and problems. Under each heading list your benefits and problems; these will become your sub-headings. Then you can write a short paragraph under each sub-heading. This will allow you time to think about all of the points that you want to make and will help to give your answer a clear format. Ultimately, it should save you time.
 - Please take care over how your answer looks. Some answers are very difficult to read because of poor spelling and grammar. Whilst this examination is not a test of English, it is important that answers are presented well so that markers can see that you have demonstrated clear understanding of the issues.