

## Operational Level Case Study – Examiner’s report

### November 2024 – February 2025 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 2024 and February 2025 were based on BackOffice, a company that designs, manufactures and markets backpacks that serve as an alternative to the traditional briefcase. BackOffice backpacks are built to a high specification and aimed at a growing market of hybrid workers. BackOffice is a high-value brand, and this is reflected in the relatively high-selling prices compared to other backpack brands. Currently, BackOffice sells its products through the BackOffice website and selected retail stores. The company is based in Hland, a country in Western Europe which has the H\$ as its currency.

BackOffice was founded in 2015 by Arlo James, a chief designer for a hiking backpack company. He realised that there was a gap in the business market for a backpack that incorporated style, good interior functionality and comfort while being worn. When Arlo founded BackOffice, he decided that his company would have an in-house manufacturing facility in Hland, and this has proved to be a significant part of the success of the BackOffice brand as the backpacks are marketed as ‘made in Hland’.

BackOffice has experienced sales growth every year since launch and since the founding of the company, Arlo James has recruited a highly competent team of senior managers. In the year to 30 June 2024, the company’s revenue was H\$16.1 million, gross profit was H\$7.9 million and profit before tax was H\$2.1 million. During this year, the company sold just over 100,000 backpacks.

Six variants were written based on BackOffice. The focus of each variant was as follows:

- Variant 1: Launch of a new range of cycle backpacks
- Variant 2: Launch of a new range of backpacks made from recycled plastic
- Variant 3: Launch of a new range of Modis backpacks
- Variant 4: Opening of BackOffice’s own retail stores and adding an accessories range
- Variant 5: Launch of a new range of cabin bags
- Variant 6: Expansion of sales channels in Byland, a large country in the Americas

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 five 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, there are four key elements that determine whether an answer is judged at level 1, level 2 or level 3. These are summarised in the following table:

Element	Level 1	Level 2	Level 3
<b>Technical understanding</b>	There are technical inaccuracies and/or gaps in the answer. Some technical understanding of the topic area being tested is demonstrated.	There are some technical inaccuracies and/or gaps in the answer. Reasonable technical understanding of the topic area being tested is demonstrated.	There are limited or no technical inaccuracies and/or gaps in the answer. Good technical understanding of the topic area being tested is demonstrated.
<b>Use of the material given</b>	There is no, or very limited, reference to, or use of, the information given in the case study to support the answer.	There is some reference to, or use of, the information given in the case study to support the answer.	There is reference to, or use of, the information given in the case study to support the answer.
<b>Application to the scenario and context</b>	There is no, or very limited, application to the scenario in terms of consideration of the company or sub-task context to support the answer.	There is some attempt at application to the scenario in terms of consideration of the company or sub-task context to support the answer.	There is a good attempt at application to the scenario in terms of consideration of the company or sub-task context to support the answer.
<b>Communication</b>	The answer lacks clarity and detail. Points made are identified or stated rather than explained and/or justified.	The answer lacks some clarity and/or detail. Points made lack some explanation and/or justification.	The answer is mostly clear and detailed. Points made are fully explained and/or justified.

As is mentioned in each and every examiner's report, demonstrating good technical understanding is not enough on its own to pass. Candidates need to 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:

- Consistent with previous sessions, there were a significant number of candidates that achieved less than 25% of the marks available, which is very disappointing. Most of these candidates attempted to answer all sub-tasks, but seemed wholly unprepared for the exam, with their answers demonstrating poor technical understanding, limited use of the information given or application to the scenario and often completely lacking in clarity and detail.
- At the other extreme, it was good to see that there were more high scoring answers for this session, with a number of candidates scoring more than 80% of the marks available. These candidates gave well-structured, clear and comprehensively explained and justified answers to the specific task given and demonstrated technical understanding in an applied way, by fully utilising the information given in the pre-seen and the unseen materials.
- As to be expected, the majority of candidates were in the mid-range overall. Some 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. For most candidates in the mid range though, answers for sub-tasks were consistently at level 2, 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.

Specific topic areas where many candidates demonstrated good technical understanding included CGMA cost transformation model, IAS 16, IFRS 5 criteria for reclassification, EOQ, decision making with risk, beyond budgeting, PV charts, rolling budgets and basic variances (raw materials, direct labour and sales price). The areas where candidates demonstrated a lack of technical understanding included variable and fixed overhead variances, sales mix variances, taxation issues, flexible budgets and sensitivity analysis.

There continues to be a lack of depth of explanation or justification in some of the tasks, especially in relation to financial reporting tasks. Remember, an explanation requires more than a short sentence on a point or simple identification of a rule in a financial reporting standard. 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 or how a KPI would be measured.

With respect to the core activities for this session, candidate performance was typically best for C (performance evaluation), E (decision making) and D (financial reporting). The less competent core activities appeared to be A (costing), B (budgeting) and F (working capital), 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.