May and August 2025

Strategic Case Study

CGMA Professional Qualification

Full post exam support materials

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

Pre-seen material

May and August 2025 Strategic Case Study pre-seen.

Examiner's report

The May and August 2025 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.

AICPA & CIMA
Together as the Association of International Certified Professional Accountants

Strategic Case Study Examination

May 2025 – August 2025

Pre-seen material

Leothayre

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.

Contents

Introduction

Leothayre is a quoted company that provides a range of solutions to customers' needs for small satellites that are generally located in low Earth orbit. Leothayre can assist with the design of the satellites themselves and can support customers in reaching an agreement with providers of launch facilities.

You are a senior manager in Leothayre's finance function. You report directly to the Board and advise on special projects and strategic matters.

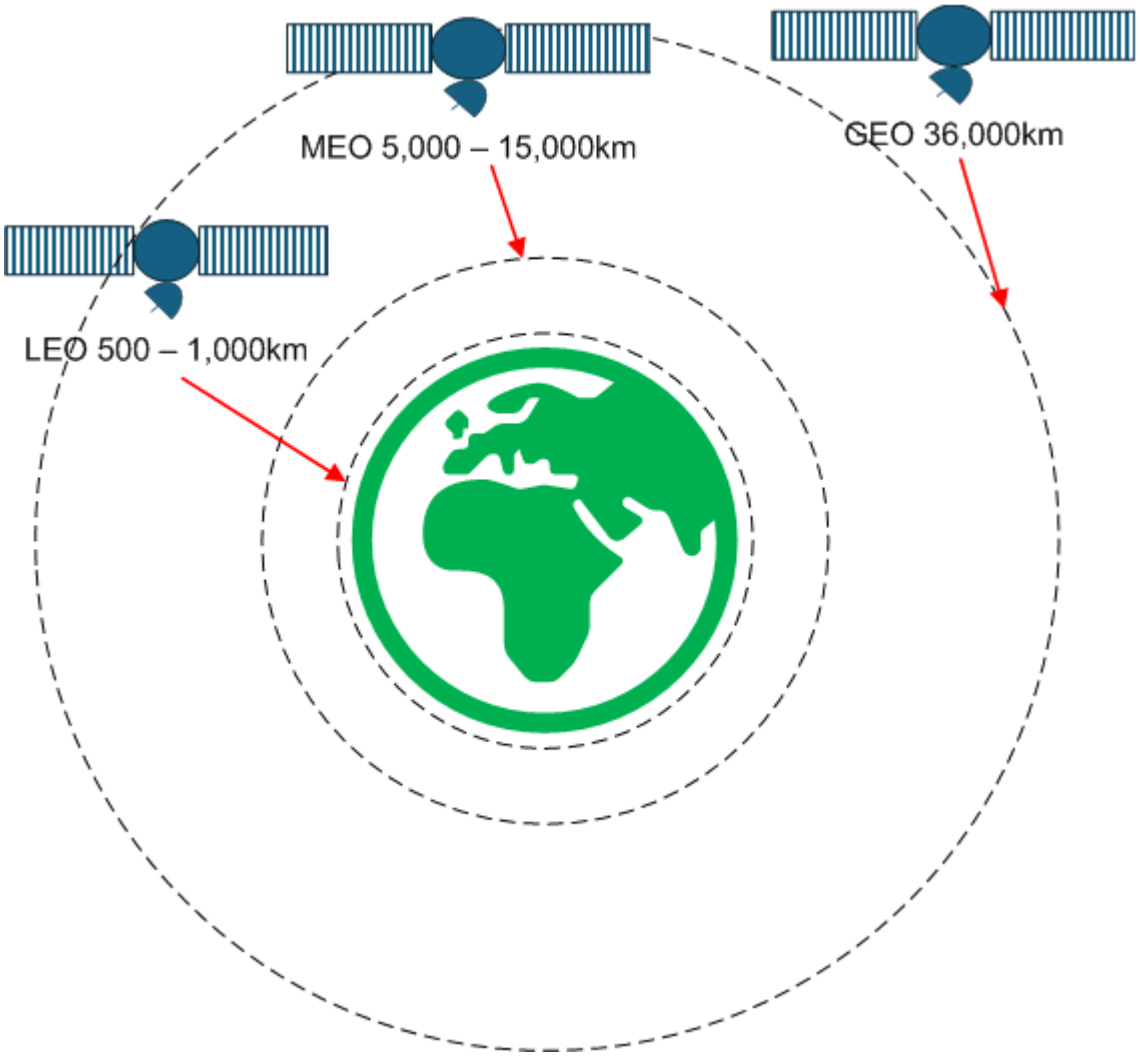
Leothayre's head office is located in Wexland, a developed country that has an active and well-regulated stock exchange. Wexland's currency is the W$. Wexland requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

Satellites

A satellite is an object in space that orbits around a larger object. Satellites can be natural, such as the planets in the Solar System orbiting round the Sun, or they can be artificial, such as communication satellites orbiting round the Earth.

There are approximately 10,000 active satellites in orbit around the Earth. That number is expected to grow significantly over the next few years.

In the past, satellites were almost exclusively large objects that were launched into geosynchronous Earth orbit (GEO). Geosynchronous satellites remain stationary in relation to the Earth's surface because their orbit takes the same 24 hours as the Earth's rotation. They maintain that position because the forces created by the satellite's velocity and the Earth's gravitational pull are in balance. These satellites maintain their positions for a very long time because there is no atmosphere in space and so there is nothing to change their velocity.



Small satellites tend to be launched into low or medium Earth orbit (LEO or MEO). LEO and MEO satellites tend to be non-geosynchronous, which means that they move in relation to the Earth's surface while they orbit. A typical satellite in LEO circles the Earth several times each day. These satellites are often at the very edge of the Earth's atmosphere, which means that they slow down gradually because of atmospheric resistance, allowing gravity to pull them towards the Earth. They descend into thicker atmosphere as their orbits decay, which slows them down still further. Eventually, friction from the atmosphere causes them to overheat to the point where they disintegrate and their fragments fall to Earth.

Small satellites have become increasingly popular. They are cheaper to build and launch than large satellites. Orbiting in low Earth orbit makes communication much easier. Only 12% of active satellites are GEO, 3% are MEO and 85% are LEO.

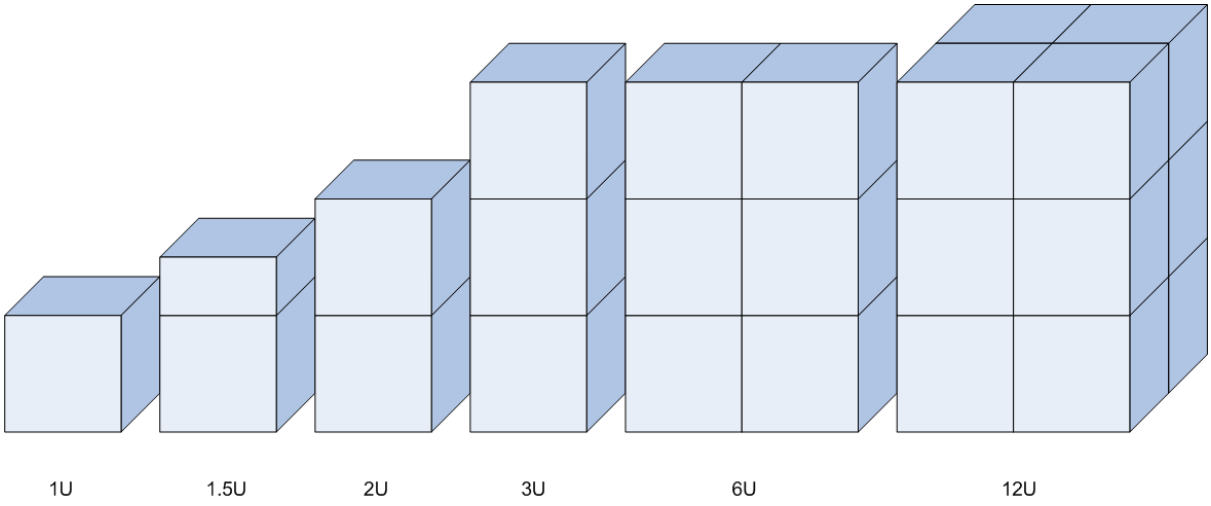
GEO satellites can have a mass of up to 6 tonnes and may be powered by arrays of solar panels that span up to 50 metres.

Satellites can be classified by mass:

Large	>1,000kg
Medium	500-1,000kg
Medium/Small	
Mini	100-500kg
Small	
Micro	10-100kg
Nano	1-10kg
Pico	0.1-1kg
Femto	0.001-0.01kg

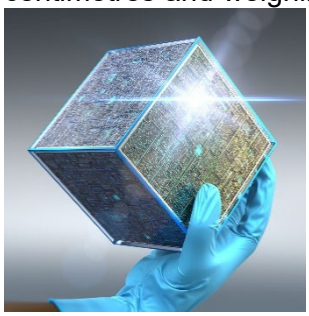
Most recent growth has been in the markets for Nano and Micro satellites.

A class of nanosatellites has been developed called “CubeSats”. The standard CubeSat is a cube measuring 10x10x10 centimetres. This is known as a “one unit” or 1U CubeSat. CubeSats can also be designed in 1.5U, 2U, 3U, 6U and 12U sizes and shapes:



The use of standard sizes and shapes makes it relatively easy to adapt launch vehicles and their deployment mechanisms to carry a payload of CubeSats. Most CubeSats are 3U, 6U or 12U.

PocketQube is an alternative standard to CubeSat, with satellites measuring 5x5x5 centimetres and weighing less than 0.25kg. That makes it possible to fit 8 PocketQubes into the volume required by a single CubeSat. PocketQubes make it possible for students and hobbyists to build their own satellites and have them launched as part of a larger payload.

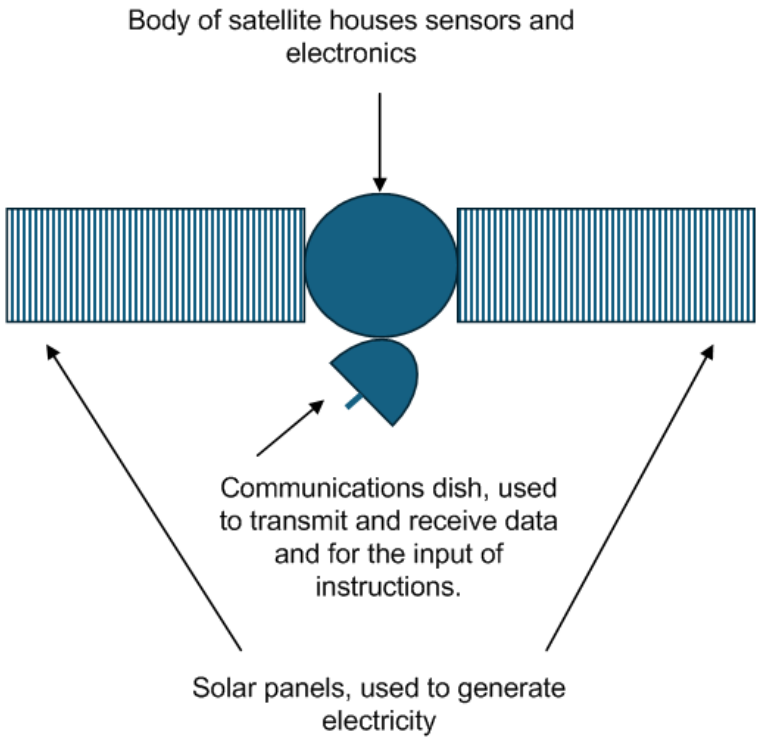


Most small satellites are shaped as cubes or cuboids, even if they are not standard CubeSats or PocketQubes. Those shapes simplify the integration of satellites with their launch vehicles and so reduce launch costs.

Small satellites may be powered by batteries or by solar panels attached to their casing, possibly hinged so that more panels can be attached. Care must be taken in designing components to ensure that there will be sufficient

power available to complete the satellite's mission. Designs must also allow for the fact that consuming power creates heat, which can damage the satellite and cause components to fail.

Larger satellites, including Micro satellites and above, tend to be more complex:



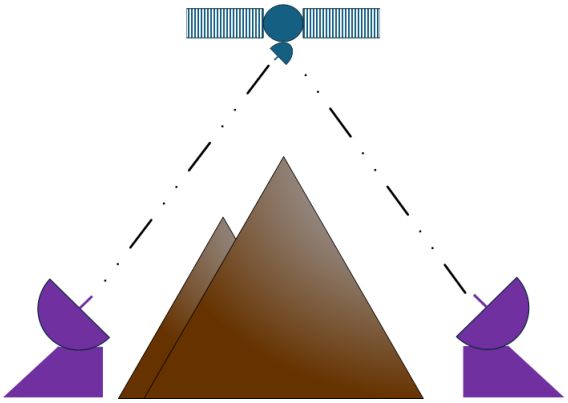
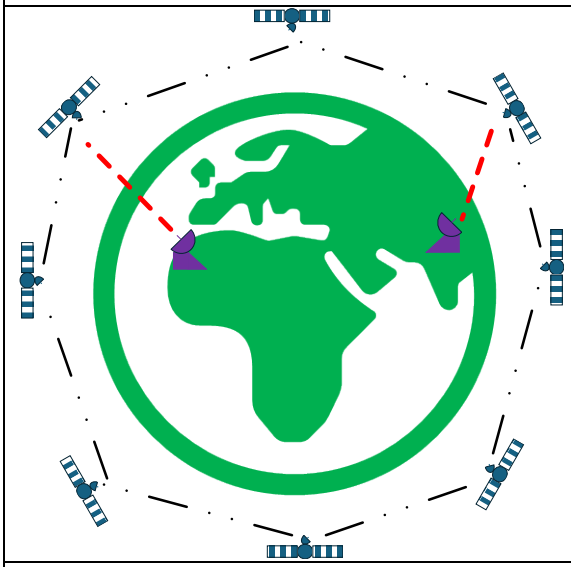
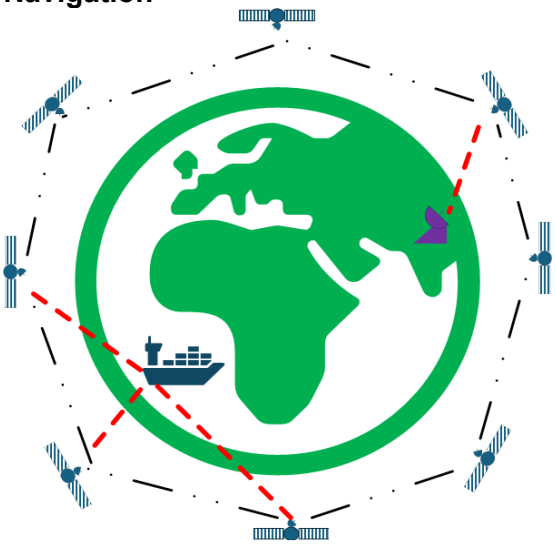
Launching and deploying larger satellites tends to be complicated. Apart from their size and mass, these satellites have delicate external components that can be damaged during launch and deployment.

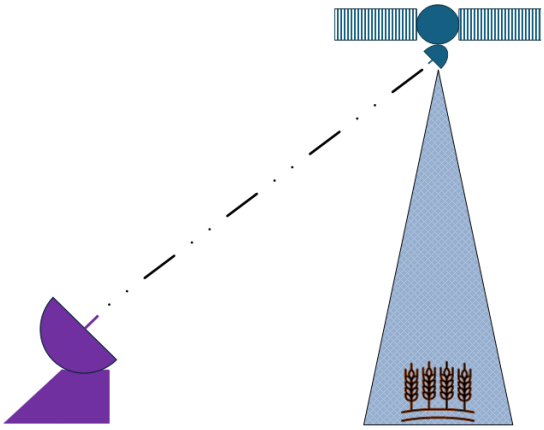
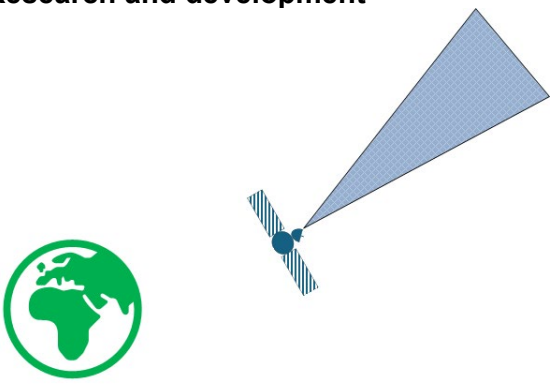
The "wings" that carry the satellites' solar panels are usually folded during launch and will unfold once the satellite has been deployed. They may be motorised so that they can be turned towards the Sun to increase their exposure to sunlight, and so generate as much electricity as possible in order to power the satellite. Any damage to that mechanism could mean that the satellite cannot generate sufficient electrical power to complete its mission.

Medium and large satellites are sometimes fitted with manoeuvring thrusters that can be used to adjust their orbits after launch. These can be used to alter the coverage of sensors or to move the satellite to a new orbit. In some cases, the thrusters are used to bring the satellite back to Earth in a controlled manner if its orbit has started to decay and there are concerns that it will shower a populated area with debris. Small satellites do not have room for thrusters or for the fuel that they require to power them.

Satellite missions

Satellites are used extensively for several different types of mission:

Communications 	Many radio frequencies require a direct line of sight between the transmitter and the receiver. That line of sight can be blocked by terrain or, over longer distances, by the curvature of the Earth. Communication satellites enable the transmission of data between locations that do not have a direct line of sight. Data can be transmitted from a ground station to a satellite, which retransmits the signal to the receiving ground station. Communication satellites can be configured to facilitate any form of communication that relies on radio, including internet and other computer data, telephone calls and television signals.
	Communications can be enhanced by launching constellations of satellites that can communicate with one another, provided they have a line of sight. That could enable a ground station on one side of the Earth to communicate with a ground station on the other side. Messages can be relayed between as many satellites as are necessary to allow for reception. It is possible to create a global communication system by launching a constellation of small satellites into low Earth orbit. Depending on the need for speed of transmission and coverage, constellations can comprise tens, hundreds or thousands of satellites.
Navigation 	Navigation satellites are large and located in geosynchronous Earth orbit. Navigation aids, located anywhere on the Earth's surface, measure the distances to three or more satellites. Software then triangulates these distances to determine a precise location, accurate to within a few feet. Satellite navigation can be used by all forms of transportation, including aircraft, ships, trains and road. Global Positioning Systems (GPS) receivers can even be handheld, for use by pedestrians. Some systems can pass navigation information to ground stations. For example, a shipping company might receive real-time updates on the location of its ships and their speed and direction of travel.

Earth observation 	Satellites in low Earth orbit can be equipped with sensors that detect specific matters of interest. For example, satellites can measure the health of crops by scanning for different light frequencies as they pass over large farms and transmit the results to a ground station. Large farming corporations might launch their own satellites or farmers might pay a satellite operator to scan their fields and deliver regular reports. The same principle can be used to create satellites that can: • monitor weather patterns. • detect forest fires or volcanic eruptions. • measure atmospheric conditions, including air pollution. • track the spread of urban development or the extent of deforestation. In principle, satellites can be used to study almost any such natural or man-made phenomena.
Research and development 	Satellites can be used to carry out a wide variety of functions in support of pure and applied research and development. • Satellites can be equipped with telescopes and sensors that can scan deep space, free from the distortion caused by the Earth's atmosphere. • Satellites can launch experimental space vehicles in order to test propulsion systems that are under development. • Satellites can create alloys and other materials or manufacture completely spherical ball bearings. Such products can be impaired by gravity when they are manufactured on Earth.

Orbits

The mission determines the satellite's desired orbit.

Satellites in geosynchronous orbit can constantly observe or communicate with the same area on the Earth's surface. That can be vital for applications such as communications or navigation satellites.

Satellites in non-geosynchronous orbits are constantly moving in relation to the Earth's surface. That means that a single satellite can cover a much larger area, but observation of, or communication with, any given location will be intermittent. If necessary, gaps in coverage can be dealt with by launching constellations of satellites at intervals but into the same orbits.

Satellites can be launched into any desired orbit. Polar orbits pass over the Earth's north and south poles. The Earth rotates while the satellites continue their orbits. That means that a satellite can cover different parts of the Earth's surface with each orbit. That could be useful for tasks such as survey missions.

Equatorial orbits follow the Earth's equator. Satellites circle the same places on a continuous basis.

An orbit's inclination is its angle in relation to the equator. Zero inclination means that it orbits directly above the equator. An inclination of 90 degrees means that it passes over the north and south poles. Orbits can be set at any inclination between 0 and 90 degrees.

The Earth's gravitational pull is greater at lower altitudes, which means that a satellite must maintain a higher velocity in order to remain in orbit at lower altitudes. A satellite orbiting at 700 kilometres above the Earth's surface will travel at 28,000 kilometres per hour and will take 100 minutes to orbit the Earth. At 36,000 kilometres, a satellite travels at 11,000 kilometres per hour and takes 24 hours for each orbit.

Ground stations

Regardless of their size, most satellite missions require some form of communication with operators on the Earth. That communication requires apparatus that can transmit or receive signals to or from specific satellites.

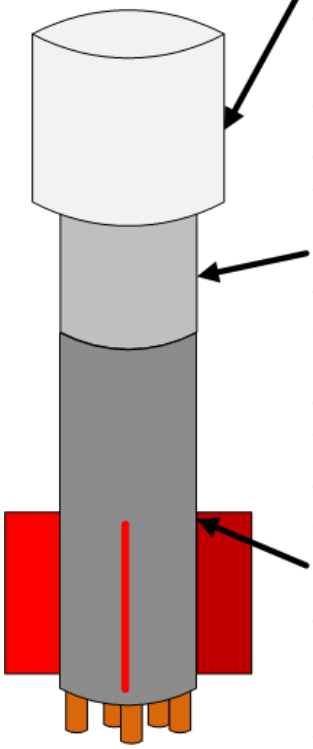
The facilities that are used to provide contact are called "ground stations". These vary enormously in size and complexity. The largest consist of arrays of satellite dishes that can handle large volumes of data and also have the power to send and receive signals to and from distant satellites in GEO.

Ground stations can be built into vehicles and used to provide mobile satellite communications. For example, a television broadcaster might use a truck equipped with a dish and communications equipment to transmit live video via satellite from a sports event back to the studio from which it will be retransmitted to viewers.

Satellite antennae can be small enough to be built into portable devices, including satellite dishes, supporting equipment that can be carried in a backpack and handheld Global Positioning System receivers that enable users to navigate accurately.

The manner in which users will interact with satellites and the capability of the equipment that they are expected to use will be taken into account in the satellite's design and the planning of its mission. For example, it might be sufficient to place a CubeSat in LEO to provide temporary internet access for engineers working at a remote building site for the duration of the satellite's life.

Launching satellites



Payload bay

The payload is the object or objects (frequently satellites) being carried by the rocket. Carrying the payload to the desired orbit is the rocket's purpose. The payload bay stores and protects the payload for the duration of the rocket's flight through the Earth's atmosphere.

The payload bay also contains the equipment required to push the satellites free from the rocket and into their intended orbits.

Second stage / final stage (assuming a two-stage rocket)

The final stage carries the payload bay to the point where the satellites that it carries are released into orbit. The final stage contains rockets, fuel and the electronics that provide the rocket's guidance and control systems.

This stage is much smaller than the first because the rocket is much lighter after the first stage has been jettisoned.

The final stage remains attached to the payload bay, allowing it to manoeuvre in orbit and enabling it to drop out of orbit after the payload has been released.

First stage

The rocket's first stage contains rocket motors and fuel. These are used to carry the rocket from the launch pad to the upper atmosphere.

Once the rocket reaches its planned separation point, the first stage is jettisoned and it falls back to Earth.

Satellites are launched into orbit using rockets which vary in size and maximum payload. Some rockets can carry a single large satellite, while others may carry multiple medium-sized satellites or many small satellites. There are several standard models of launch vehicle in operation. These can be adapted to carry different payloads. If a rocket has spare capacity, then it can be used to launch additional satellites. Alternatively, it may be necessary to load ballast, such as concrete blocks, to balance the rocket and ensure a successful launch.

Satellite launches require careful planning to ensure that the rocket releases its payload at a precisely determined point in space, with the correct velocity and orientation. Any error in velocity will affect the satellite's orbit and could result in it falling back to Earth. If the orientation is incorrect, then the satellite's sensors may be pointed out to space instead of towards the intended location on Earth. Incorrect orientation could also prevent solar panels from collecting sufficient light to produce power or could prevent clear communication with users.

Launches require complicated mathematical calculations that take account of gravity and the Earth's movement as it rotates on its axis and follows its own orbit around the Sun.

Rockets require launch sites that have the necessary infrastructure in place for assembly and launch. The launch site will also be selected to take account of the satellite or satellites that will comprise the rocket's payload.

In order to reach orbit, a rocket must achieve sufficient altitude to escape the Earth's atmosphere. The rocket must also achieve sufficient horizontal velocity to avoid being dragged back to Earth by gravity.

One way to boost a rocket's horizontal velocity is to launch in an easterly direction and from as close to the Equator as possible. The Earth rotates from west to east, so a rocket launched in that direction will benefit from the velocity provided by that rotation. The Earth's circumference is longer at the Equator, which means that launching towards the east from the Equator will maximise that benefit.

It is possible to launch rockets in a westerly direction or from a launch site that is closer to either of the Earth's poles, but that will require additional power. If the rocket requires additional fuel to reach orbit, then it will have less lifting capacity for satellites. It may then become necessary to incur the expense of using a larger rocket.

The location and direction of launch also determines the area into which debris and gasses created by the rocket will return to Earth. Large rockets often have external fuel tanks or booster rockets that are jettisoned during the flight. They may also be separated into two or more stages or sections. The first stage contains a large rocket motor and fuel tanks. The stage breaks away and falls to Earth when the fuel is exhausted during the initial launch phase. The rocket in the second stage then ignites and provides propulsion for the next phase and so on, until the rocket reaches its intended altitude.

Spaceports are launch sites that serve large rockets. Most are located so that the risk of injury or damage to property is minimised, with large items of debris being dropped into expanses of ocean or uninhabited desert and kept clear of aviation flight paths.

Prevailing weather must be considered when selecting locations for spaceports. High winds can affect a rocket's trajectory while it is in flight, especially during the first few seconds after launch. Local temperatures can also be an issue. It could, for example, be dangerous to fuel a rocket on its launch pad in conditions of extreme heat or cold.

Spaceports must also be accessible to operators. There is very little point in locating a spaceport in an area that has inadequate transport links for the delivery of parts, rocket fuel and payload. There is also very little point in locating in countries that are politically unstable or that have unsupportive governments.

Leothayre

Leothayre was founded in 2004 and was quoted on the Wexlandian stock exchange in 2017. The company provides a complete satellite service for clients, specialising in small satellites from 1kg to 75kg. It provides a complete service to its clients, starting from an initial consultation, continuing through to the launch and operation of the satellite, satellites or satellite constellation.

- Leothayre's engineers have the necessary knowledge and experience to analyse the client's mission and recommend suitable solutions. The mission determines the sensors that the satellite must carry and sustain. That has implications for the size of the satellite and the cost of launching it into orbit.
- Leothayre's workshops have the staff and equipment that are required to design and build small satellites. This is a specialised area. For example, all components must be certified as suitable for space. Components that are robust and reliable on Earth can quickly deteriorate because of the vacuum in space. The build must survive the launch and deployment and any moveable parts, such as hinged solar panels and antennae, must operate reliably in zero gravity.

  Satellites must be thoroughly tested before launch to ensure that they will operate reliably once in orbit. Leothayre has extensive test facilities that can test for the effects of vibration, extreme heat and cold and vacuum.
- Leothayre does not operate its own rockets, but it has close working relationships with several launch providers. It can negotiate launch slots on behalf of clients, ensuring that satellites will be placed in the correct orbit in time to meet client deadlines. Alternatively, clients can request completed satellites to be delivered to them so that they can make their own arrangements for launching.
- Leothayre can provide ground stations that can control the mission once satellites are in orbit. These are required to send instructions to satellites and to gather data collected by their sensors. Leothayre owns and operates its own ground stations and can organise additional support from third parties for missions that require specialised equipment.

A typical mission takes 12 to 18 months from initial consultation to launch. Repeat builds can be quicker, taking as little as 4 to 6 months. The company has developed a basic satellite body called Leothayre Standard, which is basically a CubeSat that can be supplied in 3U, 6U and 12U configurations. The design incorporates solar panel arrays and can be adapted to accommodate almost any type of sensor specified by the client. It is quicker to adapt a Leothayre Standard to meet a mission's requirements than to design a satellite from scratch.

Leothayre has successfully launched 64 satellites, all of which were designed and manufactured by the company. It also has a substantial number of orders awaiting fulfilment. The company has made sales to clients in several different countries, thanks in part to its excellent reputation for meeting deadlines and achieving mission objectives.

Extracts from Leothayre's annual report

Leothayre's mission, vision and values

Our mission

Leothayre's mission is to lead in the creation and operation of satellites that meet the needs of clients for space-based facilities.

Our vision

Leothayre's vision is to provide space-based facilities that can enhance the quality of life on Earth.

Our values

- Leothayre chooses excellence in all decisions.
- Leothayre constantly innovates, anticipating client needs.
- Leothayre insists on fairness and respect in the workplace.
- Leothayre develops and maintains strong relationships with its clients.
- Leothayre acts with integrity and never promises more than it can deliver.

Leothayre's Board of Directors

Fatma Ayoub, Non-Executive Chair

Fatma is an electronic engineer by training. She spent 20 years working for a major car manufacturer, initially in manufacturing and latterly in research and development. She left the manufacturer to take up the role of Head of Education with the Wexland Faculty of Engineers. She was subsequently promoted to Chief Executive of the Faculty. She now combines her position on Leothayre's Board with a visiting lectureship in electronic engineering at Capital University.

Fatma was appointed as Leothayre's Non-Executive Chair in 2022.

Dr Robert Suwaj, Chief Executive Officer (CEO)

Robert has a doctorate in mechanical engineering. He was one of the first appointments when Leothayre was founded in 2004. He has remained with the company since then, being promoted to the Board as Operations Director and further promoted to CEO.

Robert was promoted to Leothayre's Board as Operations Director in 2019 and was further promoted to CEO in 2023.

Min-Chieh Tseng, Operations Director

Min-Chieh has a Master of Engineering degree in aeronautical engineering. She spent several years working as a project manager for a quoted aerospace company. During that time, she supported the development of an updated version of the company's airliner. She joined Leothayre to support the development of systems and mission management software. Min-Chieh is now responsible for all aspects of scheduling and liaising with third parties in order to ensure that production facilities are available and arrangements for launches are in place.

Min-Chieh joined Leothayre's Board as Operations Director in 2021.

Dr Alex Mhando, Technology Director

Alex has a doctorate in aeronautical engineering. He worked for Wexland Spaceport for 6 years after graduation. During that time, he focussed on the assembly and launch of rockets. He joined Leothayre as a mechanical engineer, focussing on the integration of satellites with their launch vehicles. Alex is now responsible for the oversight of all aspects of the design and manufacture of satellites.

Alex was appointed to Leothayre's Board as Technology Director in 2022.

Gamze Elmas, Chief Finance Officer (CFO)

Gamze has a degree in banking. She spent much of her career to date working for a major international bank, specialising in negotiating loans for high technology startups. She joined Leothayre as a senior financial manager to support the management of the company's cash flows and the funding of expansion.

Gamze joined Leothayre's Board as CFO in 2020.

Mark Jones, Marketing Director

Mark has considerable experience of aerospace sales. He had a junior administrative role in the Sales Department of a major aircraft manager. He demonstrated considerable talent and was promoted through various levels until he was appointed a senior sales manager. His responsibilities included heading the Sales Team responsible for the sale of cargo aircraft to logistics companies.

Mark joined Leothayre as Marketing Director in 2021.

Professor Alice Alves, Senior Independent Director

Alice had a career in academia, teaching and researching economics at Capital University. Her research interests included environmental studies and the tracking of urban expansion. Her academic publications included studies that have made use of data provided by Leothayre clients.

Alice joined Leothayre's Board as Senior Independent Director in 2022.

Kawin Dhanakoses, Independent Non-Executive Director

Kawin had a career in politics, including several years as a member of Wexland's parliament. During that time, he took an active interest in industry and science. He sat on a number of parliamentary committees, including the committee responsible for an investigation into the potential environmental impact of Wexland Spaceport before permission for its construction was granted.

Kawin retired from politics in 2020. He joined Leothayre's Board as an independent non-executive director at that time.

Manal Al-Ramli, Independent Non-Executive Director

Manal worked for a major quoted civil engineering company, starting as a surveyor and rising to a seat on the company's Board as Director of Operations. She has retired from full-time employment. She combines her seat on Leathayre's Board with a directorship of Eastown College, a further education college.

Manal joined Leothayre's Board in 2020.

Board responsibilities

Robert Suwaj Chief Executive Officer			
Min-Chieh Tseng Operations Director	Alex Mhando Technology Director	Gamze Elmas Chief Finance Officer (CFO)	Mark Jones Marketing Director
• Liaison with launch partners • Health and safety • Human resource management	• Research and development • Satellite design • Manufacture of satellites	• Financial reporting • Management accounting • Treasury	• Sales and customer relations • Public relations

	Board committees			
	Audit	Risk	Remuneration	Nomination
Fatma Ayoub Non-Executive Chair	♦	♦		♦
Alice Alves Senior Independent Director	♦		♦	♦
Kawin Dhanakoses Independent Non-Executive Director	♦	♦	♦	
Manal Al-Ramli Independent Non-Executive Director		♦	♦	♦

Leothayre's Chief Internal Auditor reports to the convener of the Audit Committee.

Leothayre's Principal Risks

Risk impact	Risk mitigation
Leothayre is a young business that competes in a relatively young and developing industry. It is difficult to forecast future growth with any confidence.	The Management Team pays close attention to the maintenance and improvement of internal reporting systems. These are updated to ensure that they are consistent with business processes. The Management Team pays close attention to changes in the market for satellites and also for launch and mission services.
The regulatory framework of the space industry is changing constantly. It could change significantly before agreed regulations are enforced.	Leothayre takes great care to comply with all applicable regulations. The Management Team plays close attention to ongoing developments and works with government agencies and other regulators to shape the future development of regulation.
Satellites can fail before their missions are completed.	Leothayre's satellites are tested extensively during construction, using apparatus that can simulate the conditions that will be encountered at the time of launch and during their exposure to conditions in space. Ownership of satellites is transferred to customers at the time of delivery to the launch site. Customers bear the risks of satellite malfunction during launch and in orbit, unless it can be demonstrated that there was negligence in construction.
Leothayre is heavily dependent on suppliers for the delivery of components and assemblies. Any delays could threaten mission plans.	The company is working to keep as much fabrication work in-house as possible.
Leothayre depends heavily on a small number of clients to maintain revenues and profitability. The loss of a client or any adverse change in a client's performance could prove harmful.	The company works closely with clients to ensure that their needs are kept under constant review. Staff working on contracts are expected to pay close attention to progress and to address any potential overruns as a matter of some urgency.
Various macro-economic factors can have a significant impact on business. These include political uncertainties that might affect the ability of government agencies to invest in space missions and economic uncertainties, including exchange rates that might affect costs and revenues when they are converted to W$.	Leothayre pays close attention to global and regional developments that might affect its business. Clients are expected to make stage payments when satellites reach agreed points in construction. The company has an active Treasury Department that is responsible for the active and passive management of currency risks.

Leothayre Group
Consolidated statement of profit or loss
for the year ended 31 March

	2025	2024
	W$ million	W$ million
Revenue	1,782	1,683
Operating costs	(1,126)	(1,155)
Operating profit	656	528
Finance costs	(450)	(350)
	206	178
Tax expense	(31)	(27)
Profit for the year	175	151

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

	Share capital	Retained earnings	Total
	W$ million	W$ million	W$ million
Opening balance	800	3,580	4,380
Profit for year		175	175
Dividend		(65)	(65)
Closing balance	800	3,690	4,490

Leothayre Group
Consolidated statement of financial position
as at 31 March

	2025 W$ million	2024 W$ million
Assets		
Non-current assets		
Property, plant and equipment	7,770	6,885
Goodwill	1,100	1,100
Other intangible assets	428	388
	9,298	8,373
Current assets		
Inventory	147	138
Trade receivables	14	12
Bank	551	346
	712	496
Total assets	10,010	8,869
Equity		
Share capital	800	800
Retained earnings	3,690	3,580
	4,490	4,380
Liabilities		
Non-current liabilities		
Borrowings	4,500	3,500
Current liabilities		
Trade payables	986	964
Tax liability	34	25
	1,020	989
Total equity and liabilities	10,010	8,869

Extract from competitor's financial statements

Orbalinc is a direct competitor to Leothayre. It competes for the same contracts and has been in business for slightly longer.

Orbalinc's head office is located in Wexland.

Orbalinc Group
Consolidated statement of profit or loss
for the year ended 31 March

	2025	2024
	W$ million	W$ million
Revenue	2,566	2,272
Operating costs	(1,667)	(1,575)
Operating profit	899	697
Finance costs	(500)	(470)
	399	227
Tax expense	(64)	(36)
Profit for the year	335	191

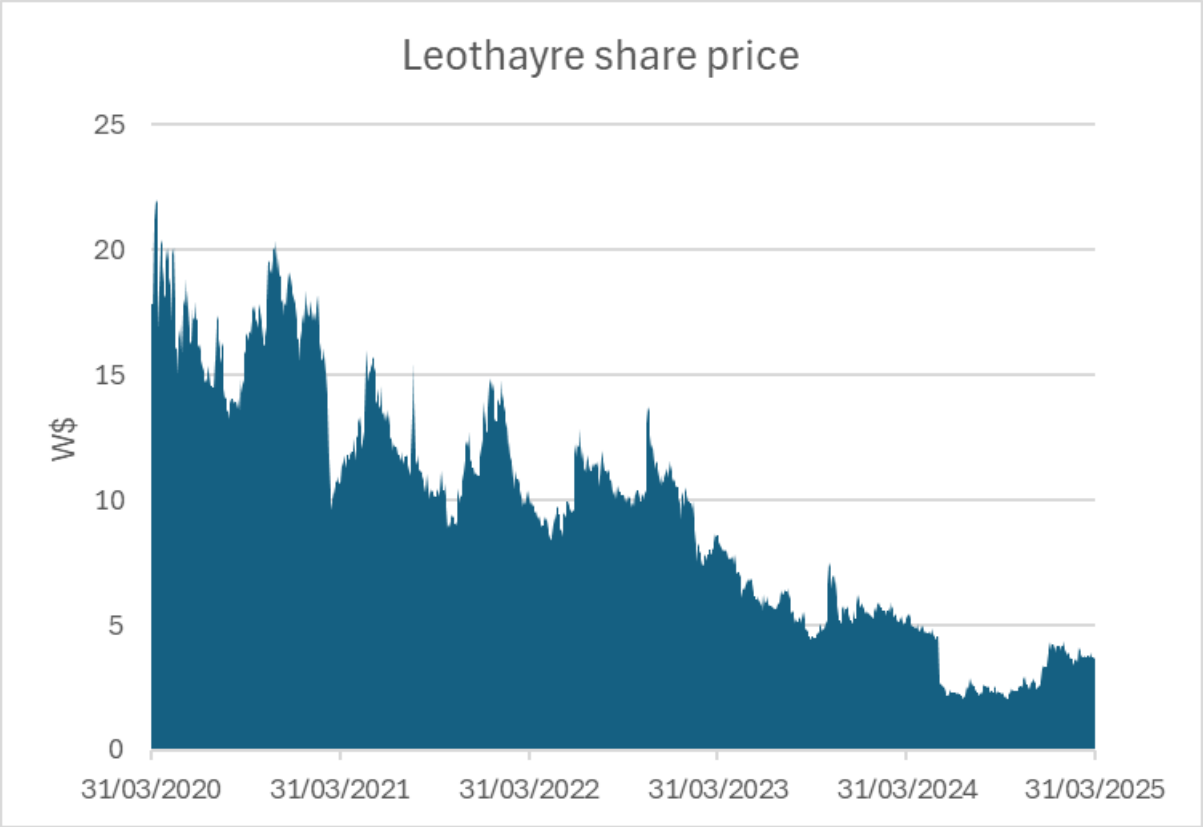
Orbalinc Group
Consolidated statement of changes in equity
for the year ended 31 March 2025

	Share capital	Retained earnings	Total
	W$ million	W$ million	W$ million
Opening balance	1,000	3,990	4,990
Profit for year		335	335
Dividend		(85)	(85)
Closing balance	1,000	4,240	5,240

Orbalinc Group
Consolidated statement of financial position
as at 31 March

	2025 W$ million	2024 W$ million
Assets		
Non-current assets		
Property, plant and equipment	8,741	8,424
Goodwill	1,200	1,200
Other intangible assets	612	526
	10,553	10,150
Current assets		
Inventory	115	107
Trade receivables	22	18
Bank	629	557
	766	682
Total assets	11,319	10,832
Equity		
Share capital	1,000	1,000
Retained earnings	4,240	3,990
	5,240	4,990
Liabilities		
Non-current liabilities		
Borrowings	5,000	4,700
Current liabilities		
Trade payables	1,012	1,108
Tax liability	67	34
	1,079	1,142
Total equity and liabilities	11,319	10,832

Share price history



Leothayre's beta is 1.15.

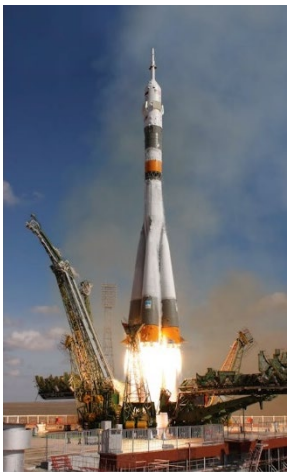
News stories

Happy Comic

Readers' questions

Question: How many stages does a rocket have?

Max, age 9



Answer: Most of the rockets that are used to launch satellites into orbit have two stages. The first stage must be powerful enough to carry the rocket and its payload through the thickest part of the Earth's atmosphere.

The first stage can either be a large rocket, with the second stage and payload stacked on top, or it can take the form of booster rockets attached to the side. The first stage will normally burn for 2 minutes, after which it will separate and leave the second stage to ignite and carry the payload into orbit.

The second stage can be smaller than the first because the rocket will be lighter after the first stage has consumed its fuel and separated. There will also be less drag because the atmosphere will be thinner at higher altitude.

The stages are large. They fall back to Earth once they have burnt their fuel and detached themselves from the rocket. The second stage might spend some time in orbit before it returns, depending on its speed and direction of travel after its satellite payload has been deployed.

Question: Rockets always look really tall in photographs. How tall are they and how do they get something that big to the launch platform?

Matilda, age 11

Answer: The average height of a rocket that can reach low Earth orbit is 58 metres. The average weight of such a rocket is just over 1,000 tonnes, including its payload and the fuel required for the launch.

Most rockets are too large to be transported in one piece to the spaceport from which they will be launched. They are usually delivered to the site in stages or sections that can be stacked and assembled vertically in an assembly building close to the launch platform. The payload of satellites is then loaded.

The rocket is assembled on a moveable platform that can be rolled, with considerable care, to the launcher. The rocket is fuelled and made ready for launch. The whole process of final transportation and launch depends on the weather, particularly wind speed.

Question: Are rocket launches bad for the environment?

Vijay, age 12

Answer: Rocket launches look spectacular, but there is a reason for that. Most of the mass in a rocket that is sitting on the launch pad is in the form of fuel. The fuel has to burn rapidly in order to create massive amounts of thrust from the rocket engines. That creates large quantities of greenhouse gasses and soot.

The pollution created by rockets is potentially more harmful than that from other sources because rockets deposit these harmful materials in the upper atmosphere, where they cause a disproportionate amount of damage.

Some rockets jettison stages before all of their fuel has been burned. That can lead to clouds of toxic vapour falling to Earth, potentially harming plants, animals and people over a wide area.

Remember that CubeSats are usually added to rocket payloads, alongside the large satellites that are the primary purpose of the launch. The space industry launches as many satellites as possible. A large rocket can carry up to 30 CubeSats so any damage to the environment should be evaluated on the basis that several missions might be launched at once.

Question: What happens to old satellites after they stop working?

Francine, age 11

Answer: That is a very important question. Satellites can remain in orbit for many years, even those in low Earth orbit. Everything in orbit travels at immense speed, which means that even a small part that breaks away from a satellite or that is jettisoned in orbit during launch can destroy an operational satellite. Collisions between satellites can cause both to break up and leave lots of fragments in orbit. Collisions are rare, but they do happen and the likelihood increases as the number of items in orbit rises.

The most serious problem with old satellites is that they often contain batteries or fuel that can explode, breaking them into small pieces and making the problem of “space debris” or “space junk” even more serious. It is estimated that 10-15 large items break up in orbit every year.

It is possible to design satellites so that they fall out of orbit at the ends of their lives. Unfortunately, that increases both construction and launch costs significantly.

Wexland Business News

Central City University's space-rating degree is out of this world

Central City University has announced the provision of a new MSc degree in space construction. The new degree is intended primarily to support the needs of the growing satellite construction industry for engineers who can design and build devices that can survive and operate reliably in orbit.

Building satellites requires advanced engineering skills, which is hardly surprising given that they must survive the rigours of being launched into orbit and function perfectly after being deployed. Once in orbit, they must operate in microgravity, which can affect the operation of mechanical devices. They are also exposed to huge temperature changes if their orbits take them into and out of direct sunlight, with no protection from the Earth's atmosphere. Being outside the atmosphere also leads to the exposure of electronic components to potentially destructive cosmic rays.

The failure of a single component can be sufficient to cause a satellite to fail and bring its mission to a premature end. Even the simplest item can pose a risk. For example, fasteners, such as screws and nuts and bolts, must be made from metals that can withstand the vacuum of space. Metals that are not space-rated can deteriorate and disintegrate far more quickly in orbit than they would on Earth.

Satellite manufacturers specify space-rated products when they order components and materials. They also subject assemblies to vibration and vacuum tests at various stages of the build. The pace of development makes it difficult to be certain that nothing will go wrong once the satellite reaches orbit.

Wexland Daily

Will it rain on my farm within the next 90 minutes?

Farmers pay close attention to the weather for all sorts of reasons. A prolonged heat wave or period of constant rain can affect the growth of crops and the profitability of their farms. Weather forecasts provided by the Wexland Met Office are freely available online or from print and broadcast news reports. Unfortunately, these do not always reflect the very latest conditions and may not be sufficiently localised to be certain what that day's weather will be on the farm.

Some activities require much more precise weather forecasts than can be obtained from the Wexland Met Office. For example, a rain shower during the harvesting of a crop can affect the moisture content of the grain and might reduce its selling price. Large farming corporations often pay for localised weather forecasts from satellites in low earth orbit. Those forecasts can provide accurate weather forecasts that enable decisions to be taken with confidence. Delaying the harvest by 12 hours might improve the farmer's yield.

Farmers are not the only ones who require personalised weather forecast. Builders might obtain one before they pour concrete foundations for a major construction project. Oil companies have satellites check the weather at sea before committing to towing an oil rig to a new site.

Wexland Business News

Wexland's Government signs "Space Junk Charter"

Wexland's Government has become the latest to sign the "Space Junk Charter". Signatories agree to commit themselves to make their best efforts to encourage the responsible use of space.

The Charter does not have the backing of law. Legislation would be difficult because governments have no jurisdiction in space, even in low Earth orbit.

The charter does offer standards that companies involved in the construction and launch of satellites are encouraged to adhere to:

- The final stage of the launch vehicle will be designed to remain intact, with no detachable parts left in orbit during satellite deployment.
- The trajectory of the final stage will result in it falling out of orbit shortly after deployment of the payload. The final stage will be designed to disintegrate harmlessly during its return to Earth.
- Satellites will be designed to minimise the risk of explosion of batteries, fuel and any other volatile payload.

Space junk is a problem. There are approximately 35,000 objects measuring 10cm across in Earth orbit and 950,000 objects between 1 and 10cm.

It is estimated that there are 10,000 operational satellites in orbit, but that number is expected to increase to 70,000 over the next decade. That growth can be attributed to reductions in launch costs and increasing numbers of applications for satellite technology.

Strategic 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	60	1	2	(a) 50% (b) 50%
2	60	1	2	(a) 60% (b) 40%
3	60	1	2	(a) 40% (b) 60%

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

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

Reference Material Pre-seen

Gamze Elmas, Leothayre's Chief Finance Officer, stops by your workspace:

"This news article has just gone online. The Board is concerned about this protest.

The orbits of our agricultural observation satellites enable us to observe many large farms in several countries. Farmers must pay for our data. If they choose to do so, then they can improve their crop yields by identifying fields that should be treated with fertilisers or pesticides. Our satellites probably do encourage the use of chemicals in farming.

The spaceports from which these satellites are launched are located in countries close to the Equator. Those countries do not have significant agricultural industries that would benefit from the data that we gather from orbit.

I need two things from you before the next Board meeting:

- Firstly, evaluate the possibility that the campaigners' use of social media poses a serious threat to Leothayre.

[sub-task (a) = 50%]

- Secondly, recommend with reasons how Leothayre should manage the political risk arising from this campaign in the countries from which these satellites are being launched."

[sub-task (b) = 50%]

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

Wexland Daily News

Leothayre criticised by environmental campaigners

Environmental campaigners have criticised Leothayre, the satellite manufacturer, for providing major farming corporations with data services in support of crop management. Leothayre has a constellation of observation satellites in low Earth orbit that provides farmers with reports on the health and development of their crops.

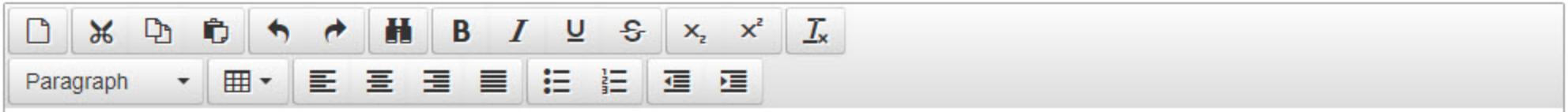
Campaigners have launched a social media campaign against Leothayre, highlighting the following points:

- Farmers frequently respond to reports by spraying their crops with chemicals such as fertilisers and pesticides. The chemicals damage the soil, leading farmers to spray with further chemicals to repair the damage. Spraying also requires the consumption of diesel to power tractors and other farm machinery.
- Launching satellites into low Earth orbit pollutes the atmosphere with greenhouse gases and soot, which is a particular problem because rockets pass through the upper atmosphere, where the pollution causes greater damage.
- Campaigners believe that the countries that host the spaceports used by Leothayre are suffering serious environmental damage, with no corresponding benefit.

The campaigners are using social media to ask consumers not to buy food that has been farmed with intensive use of chemicals and crops managed using data gathered from orbit.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.



Reference Material Pre-seen

A month later, you receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: News report

I have attached an article that has just gone online. I have had several telephone calls from other members of the Board, all of whom are worried by this news. Some are concerned that the 10% reduction in our share price implies that we are in serious trouble as a company. Others are concerned that Leothayre has been taken by surprise.

I need the following from you:

- Firstly, evaluate whether the decrease in Leothayre's market capitalisation is a realistic basis for predicting the loss of business that we will suffer because of this announcement.

[sub-task (a) = 60%]

- Secondly, evaluate the argument that the possibility of this campaign by environmental campaigners should have been recognised in the risk register, along with an effective mitigation strategy.

[sub-task (b) = 40%]

Regards

Gamze

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

Wexland Business News

Food manufacturers reject chemicals

Several major food manufacturers have announced that they will stop buying grains and vegetables from farms that make heavy use of chemical fertilisers and pesticides. This announcement was linked to recent protests by environmentalists, who blame data gathering from low Earth orbit as a major cause of pollution arising from farming.

Farmers' representatives were quick to respond to this announcement, claiming that food prices will increase dramatically if farmers are forced to stop using modern pesticides and fertilisers to enhance their crop yields. Furthermore, it will take several years to implement a return to the use of natural methods of fertilising fields and ridding them of pests.

Leothayre, whose satellites provide data that often triggers the application of chemicals, suffered a 10% fall in its share price. Industry analysts blamed the potential loss of business from the lucrative Earth observation market.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: RE: News report

Paragraph

Reference Material Pre-seen

A week later, you receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: Response to recent criticism

Hello,

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

I need your advice on two matters:

- Firstly, evaluate the extent to which Leothayre's impact on the environment can be justified in terms of the company's mission and vision.

[sub-task (a) = 40%]

- Secondly, evaluate the arguments for and against the appointment of an additional executive director to take responsibility for the sustainability of Leothayre's operations.

[sub-task (b) = 60%]

Regards

Gamze

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

Extract from Board minutes

The Board discussed the recent criticisms by environmental campaigners, who claim that Leothayre is encouraging the use of chemicals in farming and causing pollution by using rockets to launch satellites into orbit. Members of the Board acknowledged that both of these claims are probably correct. Farmers use data to identify crops that would benefit from chemicals and rockets do cause pollution.

Mark Jones, Marketing Director, proposed that Leothayre should take immediate steps to address these criticisms. He reminded the Board of the company's mission and vision:

- Leothayre's mission is to lead in the creation and operation of satellites that meet the needs of clients for space-based facilities.
- Leothayre's vision is to provide space-based facilities that can enhance the quality of life on Earth.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: RE: Response to recent criticism

Paragraph

Thank you for completing the Strategic 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.

Strategic 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	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 50% (b) 50%
3	60	1	2	(a) 40% (b) 60%

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

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

Reference Material Pre-seen

Gamze Elmas, Chief Finance Officer, asks you to join her in a meeting room:

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

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

- Firstly, recommend with reasons the extent to which Alex Mhando and Mark Jones should be made to own the risks associated with signing this contract.

[sub-task (a) = 60%]

- Secondly, identify and evaluate the ethical conflicts faced by both Mark Jones and the client in the negotiation of the contract for this satellite."

[sub-task (b) = 40%]

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

Extract from Board minutes
Contract for supply of survey satellite

Mark Jones, Marketing Director, informed the Board that he has signed a contract to build and operate a satellite that will be used to gather data about the forests in the client's home country. The client requires this data urgently and so Marketing has agreed to adapt one of Leothayre's existing CubeSat designs. It has been agreed that the satellite will be launched in 3 months, much sooner than the 12 to 18 months that Leothayre usually requires to design and build a new satellite.

Alex Mhando, Technology Director, expressed concern. He had reviewed the client's specifications before the contract was signed and had indicated that the clients' expectations were unrealistic. The adaptations will require that the satellite be filled with electronic components, with insufficient room to permit adequate heat dispersion. In his opinion, there is a risk of overheating that could cause the satellite to fail within 6 months of its launch.

Mark Jones responded that the client's data gathering mission will take between 4 and 8 months from the satellite's launch, depending on cloud cover over the areas of interest. The client will have no further need of the satellite after that survey has been completed. He asked that Alex Mhando's engineers take care to minimise the overheating risk when adapting their design. They cannot, however, make the satellite any larger or reduce the capability of its sensors.

Gamze Elmas, Chief Finance Officer, informed the Board that Leothayre will charge the client W$8.5 million for the construction of the satellite. Leothayre will charge a further W$150,000 per month to operate the satellite for the duration of its mission.

Min-Chieh Tseng, Operations Director, informed the Board that she has made arrangements with a launch partner for the satellite to be launched into orbit. This will cost the client a further W$0.5 million.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

Reference Material Pre-seen

A month later, you receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: Bid for satellite constellation

Hello,

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

I need your help with two matters:

- Firstly, identify and evaluate the difficulties associated with the analysis of the technological, environmental and legal issues arising from proceeding with a bid for Clondell's contract to build and launch 20 satellites.

[sub-task (a) = 50%]

- Secondly, evaluate the relevance of the increase in satellite builders' share prices in deciding whether Leothayre should bid for the Clondell contract.

[sub-task (b) = 50%]

Regards

Gamze

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

Extract from Board minutes
Invitation to bid for satellite constellation

Mark Jones, Marketing Director, informed the Board that Clondell, a major electronics company, has developed a new sensor that is said to be capable of detecting mineral deposits from low Earth orbit (LEO). Clondell has announced that it plans to commission a constellation of 20 satellites that will be used to survey the Earth for previously undiscovered minerals.

Clondell has since placed an invitation to bid for this contract on its website. Suppliers are asked to submit their design and price for a satellite that can support Clondell's sensor and enable its launch into LEO. The sensor itself will be manufactured by Clondell. It will be supplied to the satellite builder as a sealed unit that cannot be opened in order to protect Clondell's intellectual property.

Alex Mhando, Technology Director, warned the Board that it will be difficult to ensure that Clondell's sensor is capable of surviving launch and the operating environment in space if Leothayre's engineers are not permitted to check the interior of the sealed unit. This will be a very high-profile mission that will attract a great deal of attention.

Gamze Elmas, Chief Finance Officer, informed the Board that the share prices of several satellite builders, including Leothayre's, had increased when the intention to commission the new constellation was announced.

The Board agreed to conduct a PESTEL analysis before deciding whether to proceed with a bid for this contract. It was agreed that Mark Jones would be responsible for Political, Economic and Social aspects and that Gamze Elmas would be responsible for Technological, Environmental and Legal.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: RE: Bid for satellite constellation

Paragraph

Reference Material Pre-seen

Six months have passed. Leothayre has successfully bid for the Clondell contract to build 20 satellites, each of which will house one of the advanced sensors that will be manufactured by Clondell.

You receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Concerns about Clondell contract

Hello,

I have forwarded an email that deals with an urgent concern. I believe that we should address that concern by introducing a whistleblowing policy within Leothayre.

I need your advice on two matters:

- Firstly, evaluate the arguments for and against the introduction of a whistleblowing policy at Leothayre.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the work that Leothayre's Internal Audit Department could undertake to ensure the effective operation of a whistleblowing policy.

[sub-task (b) = 60%]

Regards

Gamze

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

From: Min-Chieh Tseng, Operations Director
To: Gamze Elmas, Chief Finance Officer
Subject: Concerns about Clondell contract

Hello Gamze,

I have received an anonymous note which claims that there are serious problems with the integration between the Clondell sensor and the satellite that we are designing for its launch. The author of the note claims that it will take several months to resolve these problems and advises that I delay the arrangements to book spaces on launch vehicles.

The note was unsigned and gave no indication of who had typed it, but I suspect that it might be from a member of the Engineering Team responsible for the Clondell contract. I know that these engineers are under a great deal of pressure to ensure that the constellation of satellites is ready for launch in time for the deadline that we agreed with Clondell. If that is true, then it raises wider issues relating to the treatment of our professional staff.

I have spoken to Alex Mhando, Technology Director, and Mark Jones, Marketing Director. Both advise me to ignore the note.

Regards

Min-Chieh

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: FWD: RE: Concerns about Clondell contract

Paragraph

Thank you for completing the Strategic 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.

Strategic 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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2	60	1	2	(a) 40% (b) 60%
3	60	1	2	(a) 50% (b) 50%

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

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

Reference Material Pre-seen

You have received the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: Potential new contract

Hello,

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

I have some concerns about the risks associated with this contract. I need your advice on the following:

- Firstly, using scenario planning thinking, discuss how each of the following possibilities associated with the Clowdcarry contract should be managed:
  - The constellation might not be launched in time for Clowdcarry's deadline of 31 January 2027.
  - There could be gaps in the communication between the ground station and Clowdcarry's aircraft.
  - Leothayre might be unable to recruit and retain capable staff for the ground station.

[sub-task (a) = 60%]

- Secondly, recommend responses to the currency transaction risks arising from the launch costs, the receipt from Clowdcarry for the satellites and the monthly fees for the staffing of the ground station, stating reasons. You should assume that the C$, K$ and D$ are volatile in relation to the W$, Leothayre's home currency.

[sub-task (b) = 40%]

Regards

Gamze

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

Extract from minutes of May 2025 Board meeting
Potential new contract

Mark Jones, Marketing Director, informed the Board that Leothayre is bidding for a major contract with Clowdcarry, an airfreight cargo company. The contract is for a satellite constellation that will provide constant updates on the location and status of each of Clowdcarry's aircraft, both on the ground and while in flight.

The contract includes the following terms:

- Leothayre will design and construct 20 satellites by 31 December 2026.
- Leothayre will arrange for a third-party launch provider to launch the satellites before 31 January 2027. Leothayre will plan the launches so that the satellites achieve their required orbits.
- Clowdcarry will pay a lump sum for the design, construction and launch of the satellites once they are operational.
- Leothayre will build and staff a ground station at Clowdcarry's head office in Lowland. The ground station will use the satellites to enable constant communication with all of Clowdcarry's aircraft. Clowdcarry will pay a monthly fee for this service.
- All payments will be priced in the C$, Clowdcarry's home currency. At current exchange rates, Clowdcarry will make payments with a present value totalling W$500 million. That is split between an immediate lump sum of W$450 million for the design, construction and launch of the satellites and a present value of W$50 million for the operation of the ground station over a 3-year period.
- Clowdcarry will modify its aircraft to enable them to communicate with the new satellite constellation.

The design and construction of the satellites will take place at Leothayre's premises in Wexland.

The satellites will be launched from the Koldland and Desertpad spaceports, whose home currencies are K$ and D$. Leothayre will purchase spare capacity on 6 to 10 rockets whose primary missions will permit the Clowdcarry satellites to be inserted into suitable orbits.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: RE: Potential new contract

Paragraph

Reference Material Pre-seen

Three weeks later, you receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Clowdcarry contract

Hi,

I have forwarded an email from our Marketing Director. It appears that we have to decide whether to continue to support Clowdcarry's original W$500 million contract or Waskan Aviation's W$2,500 million alternative.

Alex Mhando has provided some initial estimates of the costs associated with the larger constellation. It appears that we might have to consider suspending our dividend payments for the next two financial years in order to proceed with this contract and our other projects.

I need your advice concerning two matters:

- Firstly, evaluate the power and interest of both Waskan Aviation and Clowdcarry as stakeholders in Leothayre's decision concerning which contract to accept.

[sub-task (a) = 40%]

- Secondly, recommend with reasons how Leothayre should manage the implementation of any decision to suspend dividends for 2 years, assuming that we decide to proceed with Waskan Aviation's W$2,500 million contract.

[sub-task (b) = 60%]

Regards

Gamze

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

From: Mark Jones, Marketing Director
To: Gamze Elmas, Chief Finance Officer
Subject: Clowdcarry contract

Dear Gamze,

Clowdcarry is still considering awarding us a W$500 million contract to create and launch a satellite constellation that will enable the company to monitor the status of its aircraft at all times. As part of that decision process, Clowdcarry has asked Waskan Aviation, the manufacturer of its aircraft, to certify the safety of the modifications required to enable satellite communications with its aircraft.

Waskan Aviation believes that Clowdcarry's satellite constellation would appeal to all of the air cargo companies that use its aircraft. It has proposed that Leothayre should develop and launch a larger constellation of more advanced satellites. This constellation could then be used by Clowdcarry and all other operators of Waskan Aviation cargo aircraft. Aircraft operators would pay a substantial annual fee to Leothayre for the use of this system.

Waskan Aviation has provided forecasts that would indicate that the cash flows associated with this proposal would have a net present value of W$2,500 million. It will take 2 years for the constellation to become operational, after which it will have a 5-year life.

Clowdcarry has objected to this proposal because the constellation would be available to its rivals.

Alex Mhando, Leothayre's Technology Director, believes that Waskan Aviation's proposal is technically feasible, but it would require a great deal of investment in research and development work and in the manufacture of the satellites. It might be necessary to suspend dividend payments for the next 2 years to fund this. Leothayre's dividends have increased steadily since the company was quoted in 2017.

Regards

Mark

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: FWD: RE: Clowdcarry contract

Paragraph

Reference Material Pre-seen

A month later, Leothayre's Board has signed a W$500 million contract with Clowdcarry. Leothayre will create and operate a satellite constellation that will enable Clowdcarry to constantly monitor the status of its aircraft from a ground station that will be located in its head office and staffed by Leothayre employees. Systems in Clowdcarry's aircraft will monitor maintenance issues, fuel levels and speed and direction of travel and will transmit that information to satellites for onward transmission to the ground station. Clowdcarry will be able to respond to that information by sending instructions to aircraft, including diverting them while in flight.

Gamze Elmas asks you to join her in a meeting room:

"I have brought you a copy of our memorandum of understanding with Clowdcarry.

I am concerned that there are risks associated with us employing staff who will work from within a customer's Operations Centre in Lowland, using terminals connected to that customer's network.

We must also consider the risks arising from the need to maintain and update software in Clowdcarry's aircraft, the satellites and the ground station.

I need your advice on two matters:

- Firstly, identify and evaluate the risks associated with Leothayre employing staff to work remotely in Clowdcarry's Operations Centre and with the use of Clowdcarry's network to update software.

[sub-task (a) = 50%]

- Secondly, recommend with reasons the controls that we might put in place to mitigate those risks."

[sub-task (b) = 50%]

The memorandum referred to by Gamze can be viewed by clicking on the Reference Material button above.

Clowdcarry
Central City
Lowland

Mark Jones
Marketing Director
Leothayre

Memorandum of understanding – ground station

Dear Mark,

The purpose of this letter is to confirm Leothayre's responsibilities with regard to the operation of the ground station to be established at Clowdcarry's head office in Lowland.

The operation of the satellite constellation will be monitored by a team of engineers who will be employed by Leothayre. The engineers will work in shifts, using an area that will be set aside for them within Clowdcarry's Operations Centre. They will use terminals connected to Clowdcarry's network to check communications links to the satellites and aircraft and to maintain contact with Leothayre's Programming Team, which will continue to be based in the company's offices in Wexland.

Leothayre's engineers will identify any problems with the software that enables links between aircraft and satellites and from satellites to the ground station. Leothayre will be responsible for writing any updates to this software. Updates will be uploaded to aircraft, satellites or the ground station using the terminals in Clowdcarry's Operations Centre.

Yours sincerely,

Noor Ebbini

Director of Operations

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

Thank you for completing the Strategic Case Study Exam.

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Strategic 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	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 40% (b) 60%
3	60	1	2	(a) 50% (b) 50%

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

Gamze Elmas, Chief Finance Officer, asks you to meet with her:

"I have brought you an extract from a proposal that has been put forward by our Production Department.

I need your advice on two matters before the Board meets to discuss this proposal:

- Firstly, evaluate the argument that agreeing to Bulkore Shipping's proposal would indicate that we are pursuing an emergent strategy and recommend with reasons whether an emergent strategy would be suitable for Leothayre.

[sub-task (a) = 60%]

- Secondly, evaluate the political risks associated with agreeing to Bulkore Shipping's proposal and recommend with reasons how they might be managed."

[sub-task (b) = 40%]

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

Proposal to support shipping in Salt Ocean
Executive summary

Prepared by Gabriele Giannini, Senior Marketing Manager

Bulkore Shipping specialises in transporting bulk minerals such as iron ore. Its largest customer is a mining company that exports ore from an ore terminal in Eastland. The ore terminal is part of a large port on Eastland's Salt Ocean coast. It costs Bulkore Shipping a great deal to service this customer because the weather in Salt Ocean is highly unpredictable and can be dangerous to shipping.

There are two shipping routes between the Salt Ocean ore terminal and the major commercial shipping lanes in the open sea. The northerly passage is usually safe, but it takes 96 hours to transit. The southerly passage takes only 24 hours when the weather is calm, but unpredictable changes in currents and wind conditions can render that route dangerous within hours. Ships do not use the southerly passage because of the risks of unexpected weather changes.

Bulkore Shipping wishes us to provide them with a satellite constellation that will enable constant monitoring of weather conditions in the southerly passage. Leothayre will be required to build (for the first time) weather buoys that will measure currents, wave height and wind direction and will transmit that data to the satellite constellation and on to Bulkore Shipping's ships. Being able to monitor weather conditions in real time will permit ships to use the southerly passage safely for approximately 50% of their crossings of the Salt Ocean. Tracking changes in the weather will allow ships' navigators to change course and avoid danger even if conditions start to change during transit.

If we proceed with this contract, then Leothayre will have to provide operators to staff ground stations on each of the Bulkore Shipping ships that operate in Salt Ocean. Our operators are usually based at land-based ground stations, many of which are at our head office. Leothayre will also have to design and build buoys that can accommodate sensors to track weather conditions at sea and transmit readings to our satellites. This will be the first time that we have built sea buoys.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

Reference Material Pre-seen

A month later, you receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: Bulkore Shipping proposal

Hello,

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

I am briefing the CEO later today and I need your advice on two matters:

- Firstly, evaluate Bulkore Shipping's counterproposal in terms of the suitability, acceptability and feasibility (SAF) criteria.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the most suitable method of financing the development, construction and launch costs of W$1,800 million for this project, taking account of the possibility that Leothayre might accept Bulkore Shipping's counteroffer.

[sub-task (b) = 60%]

Regards

Gamze

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

Extract from Board minutes
Bulkore Shipping proposal

Alex Mhando, Technology Director, informed the Board that his research and development engineers have been working on the proposal from Bulkore Shipping to build and operate the satellites, sea buoys and ship-borne ground stations that will be required to enable Bulkore Shipping cargo ships to transit the southerly passage through Salt Ocean to the open sea. Development, construction and launch costs will be W$1,800 million.

Mark Jones, Marketing Director, informed the Board that he had met with Bulkore Shipping and had offered to complete the development, construction and launch work for W$3,000 million, with a further annual charge of W$4 million for 10 years for the engineers who will sail with the ships in order to operate the ground stations.

Bulkore Shipping had made a counteroffer, under which Leothayre would bear the development, construction and launch costs and would provide the engineers, in return for which Bulkore Shipping would pay an annual charge of W$600 million for 10 years, with payments to commence in 2 years, when the system is expected to become operational.

Gamze Elmas, Chief Finance Officer, informed the Board that Bulkore Shipping's counterproposal would potentially provide Leothayre with an attractive net present value on this project.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: RE: Bulkore Shipping proposal

Paragraph

Reference Material Pre-seen

Two months later, Leothayre is working on the Bulkore Shipping contract.

You receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Staff safety

Hello,

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

I need your advice on two matters:

- Firstly, evaluate the ethical implications of offering to increase staff salaries in order to persuade operators to accept a dangerous assignment.

[sub-task (a) = 50%]

- Secondly, recommend with reasons controls that we could put in place to mitigate the staff safety risks associated with being assigned to Bulkore Shipping's ships.

[sub-task (b) = 50%]

Regards

Gamze

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

From: Min-Chieh Tseng, Operations Director
To: Gamze Elmas, Chief Finance Officer
Subject: Staff safety

Hello Gamze,

Our contract with Bulkore Shipping requires us to base two of our operators aboard each of the customer's cargo ships. Our operators will use the ground station on each ship to download data from the sea buoys and satellites that we are building. We expect this system to be in operation within 18 months.

The navigating officer aboard each ship will use the data from our ground station to decide whether it is safe to sail through the southerly passage that connects the ore terminal to the open sea. If the route is deemed safe, the engineers will provide constant updates so that the ship's course can be changed if it becomes likely that the weather will deteriorate. Any error in forecasting the weather could lead to the loss of the ship, with little chance of rescue.

The ore terminal from which Bulkore Shipping loads its cargo is located in a country that is politically unstable, with a high crime rate. There have been several cases of foreign workers being kidnapped and held for ransom.

I have spoken to several operators who would be suitable for this assignment. All indicated that they would be reluctant to participate. There was, however, some interest when I indicated that we will offer a substantial increase in their salaries if they agreed.

Regards

Min-Chieh

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: FWD: RE: Staff safety

Paragraph

Thank you for completing the Strategic Case Study Exam.

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Strategic 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	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 40% (b) 60%
3	60	1	2	(a) 50% (b) 50%

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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

You receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: Potential acquisition

Hello,

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

I am interested in your opinion on two matters:

- Firstly, evaluate whether Leothayre would have the key resources required to make a success of the proposed acquisition.

[sub-task (a) = 60%]

- Secondly, evaluate the difficulties associated with negotiating the terms for the exchange of shares associated with this acquisition.

[sub-task (b) = 40%]

Regards

Gamze

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

Extract from Board minutes
Potential acquisition

Robert Suwaj, Chief Executive Officer, informed the Board that he had met with his counterpart at Orbshoot, an unquoted Wexlandian company that builds rockets that are used to launch vehicles satellites into orbit. Orbshoot's main product is the Orblifter, a two-stage rocket that has been optimised to carry multiple CubeSat satellites into low Earth orbit (LEO). Orblifter has a reputation for reliability, but there are rival companies whose rockets are cheaper and equally reliable.

According to Orbshoot's CEO, the company is working hard on the development of a new rocket, to be called the Orblifter Return, that will be designed to be reusable. The first and second stages will deploy wings after they separate from the rocket. The stages will then glide safely under remote control to land on the runway used by cargo aircraft at the spaceport from which Orbshoot's missions are launched. The stages will then be refuelled and reused, significantly reducing the cost of launching satellites.

Orbshoot's directors own 100% of the company. They do not have sufficient funding in place to complete the development of Orblifter Return. They propose an exchange of shares, whereby Leothayre would acquire 60% of the company, while they would retain the remaining 40%. Leothayre would acquire the rights to the intellectual property owned by Orbshoot, including development work and patents relating to Orblifter Return.

Orbshoot's CEO estimates the cost of completing the development work and building a prototype Orblifter Return at W$2 billion.

The Board agreed to consider Orbshoot's proposal and to meet again to discuss matters further.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: RE: Potential acquisition

Paragraph

Reference Material Pre-seen

A week later, Leothayre's Board is still considering whether to acquire a controlling interest in Orbshoot. It has been agreed that Leothayre will exchange 25% of its shares in return for 60% of Orbshoot if the acquisition proceeds.

You receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Orbshoot

Hello,

I have forwarded an email from Alex Mhando, our Technology Director.

I need your advice on two matters:

- Firstly, apply the suitability, acceptability and feasibility (SAF) criteria to the acquisition of Orbshoot. Your analysis should take account of the fact that currently there is no full-scale prototype of the Orblifter Return rocket.

[sub-task (a) = 40%]

- Secondly, using scenario planning thinking and assuming that we proceed with the share exchange, discuss how each of the following possibilities might be addressed after our acquisition:
  - A rival manufacturer develops a cheaper, single-use rocket that undercuts Orblifter Return launches on cost.
  - Orblifter Return enters service, but the first commercial launch is a failure, with the rocket exploding soon after launch, destroying the payload.
  - Orblifter Return rockets are launched successfully but cannot be refuelled and reused more than twice because of structural problems that were only discovered after the rocket entered service. Cost savings are therefore reduced to 5% instead of the expected 10%.

[sub-task (b) = 60%]

Regards

Gamze

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

From: Alex Mhando, Technology Director
To: Gamze Elmas, Chief Finance Officer
Subject: Orbshoot

Hello Gamze,

I have met with Orbshoot's research staff and have gathered as much information as I can in relation to their proposal to develop the Orblifter Return rocket. If they are successful, both stages of the rocket will glide back to Earth after they are jettisoned during the launch. They will then be refuelled and reused. Orbshoot's figures suggest that launch costs using Orblifter Return will be 10% lower than those using conventional rockets.

The mechanism for the deployment of the wings used to bring the stages back to Earth is protected by patent. It would be difficult for rival launch companies to copy Orbshoot's design without breaching the patent.

So far, Orblifter Return has been tested using a combination of computer simulations and small-scale models dropped from aircraft. These tests have proved successful. The research staff are confident that a full-scale prototype rocket will work, but they cannot build one until Leothayre completes its acquisition and provides the necessary W$2 billion of funding.

Regards

Alex

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: FWD: RE: Orbshoot

Paragraph

Reference Material Pre-seen

Several months later, Leothayre has owned a 60% holding in Orbshoot for 6 months. During that time, Orbshoot has built a prototype of its Orblifter Return rocket.

Gamze Elmas asks you to meet with her:

"I have brought you a news report that has just gone online.

I have started work on Leothayre's annual report. I had intended to report the successful deployment of the prototype Orblifter Return rocket under our non-financial capitals, particularly intellectual, natural and social. However, Orbshoot's directors have spoken to Fatma Ayoub, our Non-Executive Chair. They have requested that Leothayre does not claim credit for this launch, given that Leothayre's role was restricted to funding the construction of the prototype, based on Orbshoot's design. Fatma wishes me to decide on our response to this request.

Orblifter has four executive directors, a Chief Executive Officer, a Technical Director, a Finance Director and a Marketing Director. Collectively, these directors own 25% of the Leothayre Group and 40% of Orbshoot.

I need your advice on two matters:

- Firstly, recommend with reasons whether Leothayre should refer to the launch of the prototype Orblifter return in its disclosures relating to intellectual, human and social capitals.

[sub-task (a) = 50%]

- Secondly, recommend with reasons whether Orbshoot's directors should be represented on Leothayre's Board, indicating the most sensible form that any such representation should take."

[sub-task (b) = 50%]

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

Wexland Business News

Orbshoot launches prototype rocket

Orbshoot launched its prototype Orblifter Return rocket from the Wexland Spaceport yesterday. The rocket carried a payload of CubeSat satellites, all of which were inserted into their intended low Earth orbits.

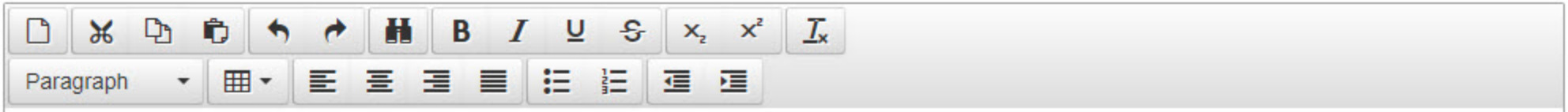
Shortly after the launch, the first and second stages of the rocket returned to the Spaceport, gliding on wings that deployed after the separation of each stage. The stages were controlled throughout this phase by pilots at remote control stations. The stages landed safely on the Spaceport's runway and were towed to hangars for inspection and maintenance.

Alex Mhando, Technology Director at Leothayre, Orbshoot's parent company, commented that the safe recovery of the stages marked a major step forward in the development of low-cost satellite launches. He expected the rocket to be ready for relaunch in 4 months.

A spokesperson for Orbshoot commented that production of Orblifter Return was expected to commence in 6 months.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.



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Strategic 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	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 60% (b) 40%
3	60	1	2	(a) 50% (b) 50%

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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

Gamze Elmas, Chief Finance Officer, asks you to meet with her:

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

I need your advice on two matters:

- Firstly, using scenario planning thinking, evaluate the impacts of the following possibilities associated with our acceptance of Erthboost's proposal and recommend responses, stating reasons:
  - Erthboost suffers a production delay and is late in the delivery of the first four Erthboost 20 rockets to the spaceport from which they are scheduled to be launched.
  - The second and third rockets explode shortly after launch, destroying the satellites being carried as payload.
  - All 10 of the first batch of rockets launch and deploy their payloads correctly, but all release space junk into orbit.

[sub-task (a) = 60%]

- Secondly, evaluate the power and interest of Leothayre's customers in relation to sustainability issues associated with the use of Erthboost 20 rockets."

[sub-task (b) = 40%]

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

Extract from Board minutes
Erthboost

Alex Mhando, Technology Director, reported to the Board on a meeting with the Marketing Director of Erthboost, a company that builds rockets. Erthboost has developed a rocket, the "Erthboost 20", that exceeds all applicable standards for the prevention of space junk during the launch and deployment of satellites.

- Erthboost 20 has a deployer mechanism in its final stage that can release satellites into their planned orbits cleanly and without jettisoning any space junk into orbit.
- After the deployment of all satellites in its payload, the final stage of Erthboost 20 has the ability to manoeuvre and drop out of orbit in a planned manner, so that it breaks up in the Earth's atmosphere over an uninhabited area.

Erthboost 20 is a completely new design that aims to be sustainable in its operation. In addition to avoiding the release of space junk, Erthboost 20 has a first stage that is efficient in creating thrust during the initial phase of launch. As a result, it minimises fuel consumption and emissions associated with launch.

Standards for the prevention of space junk have been published by governments, including Wexland's, who have agreed to implement a "Space Junk Charter". The Charter is advisory and none of the governments who have signed it have made compliance a legal requirement. Nevertheless, Erthboost 20 exceeds all of the Charter's requirements relating to the launch of satellites.

Erthboost 20 has not yet been used to launch commercial satellites. The company's Marketing Director has offered to reserve the first 10 rockets for Leothayre's exclusive use. Leothayre has several satellites under construction for customers that are scheduled for delivery and launch at times that match the availability of this first batch of Erthboost 20 rockets.

Leothayre will be responsible for building and launching the satellites that will be placed in orbit using the Erthboost 20 rockets. Our standard contract requires customers to accept responsibility for insuring their satellites against loss during launch.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

Reference Material Pre-seen

A month later, you receive the following email:

From: Gamze Elmas, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Launches

Hello,

I am forwarding an email that I received from Min-Chieh Tseng, Leothayre's Operations Director.

I need your advice on two matters:

- Firstly, evaluate the ethical implications of the Operations Director's decision not to have a further conversation with Tainers' Finance Director.

[sub-task (a) = 60%]

- Secondly, recommend with reasons TWO approaches that could be taken to manage the currency risk associated with Leothayre's payment to Eastland Spaceport, discussing the suitability of each.

[sub-task (b) = 40%]

Regards

Gamze

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

From: Min-Chieh Tseng, Operations Director
To: Gamze Elmas, Chief Finance Officer
Subject: Launches

Hello Gamze,

I have been making arrangements to launch 12 satellites that we are building for Tainers, a shipping company. These will be carried on the first 3 Erthboost 20 rockets, which will be launched from Eastland Spaceport in 6 months. Each rocket will carry four satellites.

Tainers will pay W$120 million for the 12 satellites as soon as we deliver them to Eastland Spaceport. The satellites will be their property and their responsibility. I have informed their Finance Director that we will be using a new model of rocket for the launch and have advised him to be careful when insuring against loss during the launch. I am not certain that he fully understood the risks associated with a new design of rocket. I am nervous about having a further conversation in case Tainers insists that we use a different rocket supplier. Any rocket can malfunction, even if it is an established model. Erthboost has successfully tested prototypes of its Erthboost 20 design.

I will sign the contract with Eastland Spaceport tomorrow. I will then invoice Tainers W$15 million, payable immediately, for the use of Eastland Spaceport's launch facilities. Leothayre will pay Eastland Spaceport E$24 million, which converts to W$12 million at current exchange rates. Our payment to Eastland Spaceport is due immediately after the launch, which is due to take place in 6 months if all goes well. Our payment will be delayed if the launch is postponed because of technical problems at Eastland Spaceport or because of adverse weather conditions.

The exchange rate between the E$ and W$ is highly volatile.

Regards

Min-Chieh

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

From: Senior Finance Manager
To: Gamze Elmas, Chief Finance Officer
Subject: FWD: RE: Launches

Paragraph

Reference Material Pre-seen

Six months have passed. Leothayre has successfully launched a satellite constellation using three Erthboost rockets, a new design that is significantly more sustainable than rival rockets. Erthboost 20 is less likely to leave space junk in orbit and consumes less fuel during launch, reducing emissions in the process.

Gamze Elmas asks you to join her in a meeting room:

"We had an emergency Board meeting yesterday. I have bought you an extract from the minutes.

I need your advice on two matters before the next Board meeting:

- Firstly, evaluate the governance implications of Alex Mhando's decision to commit Leothayre to this contract.

[sub-task (a) = 50%]

- Secondly, recommend with reasons how the risks associated with funding the payment to Erthboost might be managed."

[sub-task (b) = 50%]

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

Extract from Board minutes
Erthboost

Alex Mhando, Technology Director, thanked the Board for attending the meeting at short notice. He explained that he had been forced to take decisive action on an opportunity that he believed to be beneficial to Leothayre.

Erthboost's Marketing Director had contacted him to offer the opportunity to buy the second batch of 30 Erthboost 20 rockets. These would be in addition to the seven rockets in the first batch that are currently being prepared for delivery. Erthboost's Marketing Director required a response within the hour, otherwise it would be necessary to sell the rockets to Orbalinc, Leothayre's closest rival.

Mr Mhando was unable to contact any of the other members of Leothayre's Board before the 1-hour deadline, so he accepted Erthboost's offer on behalf of Leothayre. He signed a contract electronically.

Mr Mhando explained that he had taken this decision because all 3 Erthboost 20 rockets had performed superbly in launching their first payloads into orbit. He believed that his decision was consistent with Leothayre's mission, vision and values. The Board agreed to defer discussion of his actions until a later meeting.

The contract requires an immediate payment of W$400 million to Erthboost, 50% of the price to Leothayre of the rockets. The rockets will be delivered over the next 2 years. Gamze Elmas, Chief Finance Officer, informed the Board that this sum would have to be borrowed. She warned the Board that interest rates were volatile at present.

Leothayre's mission, vision and values

Our mission
Leothayre's mission is to lead in the creation and operation of satellites that meet the needs of clients for space-based facilities.

Our vision
Leothayre's vision is to provide space-based facilities that can enhance the quality of life on Earth.

Our values

- Leothayre chooses excellence in all decisions.
- Leothayre constantly innovates, anticipating client needs.
- Leothayre insists on fairness and respect in the workplace.
- Leothayre develops and maintains strong relationships with its clients.
- Leothayre acts with integrity and never promises more than it can deliver.

Reference Material Pre-seen

Draft your response to Gamze's requests in the box below.

Paragraph

Thank you for completing the Strategic 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.

STRATEGIC CASE STUDY

May & August 2025

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

Requirement 1 – Campaigners

Social media enables campaigners to reach a huge global audience through posts to websites. In the absence of social media, campaigners would have to persuade traditional media editors to cover their concerns in television and newspaper stories. If they could not persuade editors that their concerns were newsworthy, then they would have to pay a significant amount for advertising to publicise their opinions. Social media posts can be read and commented on by sympathetic subscribers, which can lead to messages spreading quickly as interested readers comment and express support for the arguments. There is little or no direct financial cost associated with making or supporting a post. Politicians and other influential stakeholders might be persuaded to side with the campaigners and introduce legislation against intensive farming or satellite operations because of the numbers of potential voters who appear to be unhappy with the role of satellite operators.

Campaigners who encourage social media posts are often not accountable for their actions, making it easier to post recklessly. Campaigners can offer persuasive arguments that are not always supported by facts or by science, which can give them a significant advantage in any debate. It would, for example, be possible for campaigners to exaggerate the damage to the environment caused by launching satellites intended to support farming operations. Leothayre might struggle to defend itself because any response to the campaigners could be rejected on the grounds of self-interest. Taking legal action against campaigners could be portrayed as an attack on free speech or bullying of individuals by a quoted company. Campaigners can further protect themselves by posting from overseas, making it more difficult and expensive to pursue legal action against them.

Social media might be used to organise direct action against Leothayre, its customers and its launch partners, which could discourage potential customers from buying satellite-based services. Social media reduces the logistical problems associated with, say, organising a protest at Leothayre's offices. A large protest could be newsworthy in itself and could be reported in the conventional news media. Targeting customers, perhaps by blocking road access to a farm that is believed to

employ intensive farming methods, could lead to farmers cancelling their contracts for this service. Customers from other industries could also be reluctant to do business with Leothayre and other satellite providers. New uses for satellites will be newsworthy and could attract the attention of campaigners.

Requirement 2 – Political risks

Leothayre should start by identifying the spaceports on which it is relying for scheduled launches. Those will require immediate action to identify and mitigate any political risk. Leothayre could be committed because it has signed contracts with particular spaceports or because of geographical factors, such as suitability for launches into specific orbits. Leothayre should request immediate meetings with the governments of the host countries where those spaceports are located. The most effective response to the political risk would be to remind the governments that any action that they take to curtail those launches will inconvenience the customers who are relying on those satellites as well as Leothayre itself. That could damage the spaceport industry in those countries because of the adverse publicity associated with the delayed or cancelled launches. Demand for satellites is growing. Spaceports attract inward investment and create new employment opportunities. Governments should be careful not to risk harming this new industry. If governments are prepared to offer assurances in relation to planned launches, then they will be more open to persuasion in relation to guaranteeing their support for future launches.

Leothayre should consider longer-term political risks by listing the spaceports that it uses and that it might be willing to use in the future. Leothayre's Board should meet with the senior management of as many spaceports as possible to discuss the political risks arising in their home countries. During those meetings, Leothayre can stress that political risk will be one of the factors that they will consider when selecting launch sites. Sending a clear message to the managers of the spaceports will provide them with an incentive to lobby their governments to avoid damaging political actions that will threaten their livelihoods. The spaceport industry is a relatively new business, so it is reasonable to expect that the government agencies that are responsible for their supervision have already conducted detailed evaluations of the sustainability of satellite launches. It should be reasonably easy to lobby interested governments to offer their support by resisting demands to curtail launches.

Leothayre should work with governments to address the concerns raised by the environmentalists. Governments will be less inclined to threaten action against satellite companies if it can be demonstrated that the industry is sustainable and creates net benefits for society. Leothayre might start by working with rival satellite companies to address the campaigners' legitimate concerns that rockets create pollution when they are launched. Ideally, the satellite industry should be able to provide governments with evidence concerning the extent of the damage done by pollution, including the launch of rockets into orbit. The industry as a whole might be able to offer commitments such as the possibility that the efficiency of rockets could be improved, so that the damage to the environment was minimised. There could be further improvements, such as more efficient ways of identifying and selling spare capacity on rockets. At present, rockets often carry concrete ballast to compensate for any shortfall in payload. The industry can also focus on the benefits created by satellites themselves. For example, satellite communications may be lifesaving in certain circumstances.

SECTION 2

Requirement 1 – Market capitalisation

In an efficient capital market, share prices will reflect all available information in an unbiased manner. It could be argued that the industry analysts who commented on the 10% decrease have an important role in ensuring that the market price reflects new information. The analysts will subscribe to data sources that will carry the latest share prices and business news stories as soon as they become public knowledge. The analysts themselves will become experts in specific industries, maintaining close relationships with the companies in those industries. These analysts will have become aware of the announcement by the food manufacturers as soon as the manufacturers' press releases were published. They will have interpreted the announcement as "bad news" for Leothayre, and any other satellite manufacturers who might be expected to lose business. The immediate response to that news would be to anticipate a decrease in the net present value of Leothayre's expected future net cash inflows, and so the analysts would have recommended that their clients sell Leothayre shares, thus reducing the share price. There will now follow a period of reflection, during which the analysts will fine tune their sell recommendation.

The 10% decrease in the share price was based on the evaluation of the information that was available to the market at the time the news became available. The analysts specialising in this will be gathering as much information as they can about these events and their expected implications for Leothayre. For example, it may be determined that farmers can change their practices with regard to fertilisers and pesticides and will not have to reduce their reliance on satellite observation. Analysts will also seek as much information as they can from Leothayre concerning the extent to which this announcement will lead to a loss of business. The results of this analysis may lead to a further decrease in the share price or the analysts might recommend their clients buy shares in Leothayre on the grounds that the shares are currently undervalued.

The analysts will also have to consider the extent to which the decrease was driven by short-term speculative forces. Even in an efficient market, it is possible that unsophisticated investors can be expected to overreact to an item of news in the short term. It is possible that the 10% decrease is partly attributable to such an overreaction and that the price will recover as sophisticated shareholders buy the shares, which they regard as underpriced. The possibility that the share price has overreacted means that the market has probably overstated the likely loss of revenue due to the food manufacturers' announcement. It would certainly be unwise for Leothayre to base any significant decisions on this valuation until the market price has had an opportunity to settle down.

The fact that the market price is an unbiased predictor of future cash flows does not mean that Leothayre's Board should accept any predictions as accurate and fully informed. The analysts who inform the market price do not have the means to gather all of the information that is available to Leothayre's Board and to the company's customers. Not even efficient markets can fully reflect information that is not available. At best, they can reflect only estimates and assumptions that may miss key information that has not been made public. Leothayre knows exactly how many sales it may have lost because of this change of attitude by the food manufacturers. It also knows whether it has plans that may enable it to persuade those manufacturers to reverse their decision. It may be more realistic for Leothayre to

make their own assumptions concerning the likely loss of business. Any difference between the company's predictions and those of the market could be addressed by meeting with analysis to correct their misunderstanding.

Requirement 2 – Risk register

It could be argued that Leothayre should be aware of the risk factors that might have an impact on key market areas. If the expected loss of business from farming companies was sufficient to decrease the share price by 10%, then that is clearly a key market area and Leothayre should have reviewed the risks associated with that line of business. Leothayre should have been aware of the use made of its data by the farmers who buy it. If it was not obvious, then they should have been asked. If Leothayre did not know how the data was to be used, then it would have been impossible to build satellites and select sensors to meet those needs. At the very least, Leothayre's risk register should have included an entry to indicate that farming companies might lose interest in low Earth observation satellites. The possible cause of that loss of interest could be too detailed for the risk register. It would be just as serious a problem if farmers replaced satellites with some other technology, such as drones.

Arguably, it would not be appropriate for Leothayre to have identified a direct mitigation of the risk arising from environmentalists campaigning against farming customers because there would be very little that Leothayre could do to mitigate that risk. Leothayre does not have any particular expertise in farming and so there is nothing that the company might do to address the fact that some farming methods can be viewed as unsustainable. It would be more realistic for Leothayre to develop a more generic mitigation approach, such as ensuring that the company maintained a diverse customer base. Leothayre could, however, also aim for a response to the wider concern that launching satellites by rocket causes pollution and damages the environment. It would be desirable for all companies involved in the industry to collaborate on ways to make the process of putting a satellite into orbit less damaging to the environment. Addressing that problem would make it easier for customers to respond to their critics concerning their use of satellites and so would reduce the overall risk faced by Leothayre, regardless of the type of customer.

SECTION 3

Requirement 1 – Mission and vision

Leothayre's mission focusses on the needs of its customers, rather than claiming to meet the needs of society as a whole. In that respect, it can justify its support for farming companies, who clearly do benefit from the use of satellites to maximise their crop yields. It could be argued that the mission statement is expected to articulate the basic purpose of an organisation and that Leothayre's statement does exactly that by stating how it benefits its customers. It could be argued that Leothayre is avoiding its responsibility by claiming a simple mission that can be justified on the basis of commercial success through sales of satellites. That may be an accurate reflection of the company's intentions, but it will do nothing to address the concerns of environmental activists. By stating its mission in these terms, Leothayre is effectively making its customers responsible for decisions relating to the net environmental damage caused by its customers. It is debateable whether critics will be willing to accept such a response to claims that Leothayre's satellites are damaging the environment.

Leothayre's vision is much more open ended, incorporating the idea of enhancing the quality of life. It could be argued that there is a potential benefit to identifying crops that would benefit from chemical treatment because improved yields will create more food, hopefully going some way towards addressing famine. There is also the possibility that satellite observations will enable farmers to be more responsive to the condition of their crops when applying chemicals. It could be argued that the alternative to effective satellite observation is the indiscriminate application of fertiliser and pesticide to all crops, just to ensure that soil quality exceeds the minimum standard. If the sensors are effective in providing farmers with accurate feedback, then it is possible that chemicals will be used more sparingly, responding only to fields that require a boost. Even if such an argument could be made, it could still be argued that there is an overall net cost arising from the need to burn massive amounts of fuel to get the satellites into orbit, with associated emissions. It is debatable whether there is an objective basis upon which to compare the benefits from more efficient farming with the externalities associated with the launch.

Requirement 2 – Executive director

The appointment of an executive director to take responsibility for sustainability matters would demonstrate a willingness to address the environmental problems associated with putting satellites into orbit. This new director would have an immediate mandate to identify and respond to issues associated with operations. Leothayre is a quoted company and so the appointee will be visible. While the appointee will not be able to eliminate pollution and damage to the environment, it should be possible to bring about some improvement. Failure to do so could be quite damaging to the appointee's reputation and so the new director will have a substantial incentive to look for ways of addressing problems.

Leothayre is open to criticism from a host of different directions, not just because of the use of rockets. A Director of Sustainability would be able to pre-empt criticism, such as the need to transport assembled satellites to launch sites and the sustainability issues associated with space junk. Having a director responsible for such issues will reduce the risk of reputational damage arising from unexpected attacks. Ideally, the new director can protect the company's reputation by having

responses ready for any issues that are raised in the press or by politicians. It may also be possible for the new director to be proactive in publicising improvements brought out under their leadership.

The new appointment could be drawn from a background that will bring additional expertise to the Board as a whole. It may be possible to appoint a board member whose experience is in the not-for-profit area in order to demonstrate a genuine commitment to improvement. The appointment of such a person would be sufficient in itself to generate positive publicity for the company.

An executive Director for Sustainability could introduce conflict into Board discussions that would prove difficult to manage. Almost any new business undertaken by Leothayre will include some sustainability issues and the new director might feel the need to disrupt discussion. It will be necessary to specify the new director's remit in great detail to avoid the need to justify, say, every rocket launch carrying Leothayre satellites. Unfortunately, giving such a restricted mandate could undermine the credibility of the appointment.

It could be argued that there is no real need for a new executive director because the Board is well supported by excellent non-executives. Non-executives could be viewed as being in a better position to address the company's wider responsibilities to society. For example, Kawin Dhanakoses has a background that would make him ideally suited to chairing a Board Sustainability Committee. Appointing this new director could unsettle the dynamic of the Board. It could be argued that the numbers of executive v non-executive directors will be slightly unbalanced.

There could be issues with the other executive directors, who might feel that they are free to ignore sustainability issues because they have a new colleague who will address any such matters for them. Issues might be more likely to be overlooked because of the appointment.

STRATEGIC CASE STUDY

May & August 2025

EXAM ANSWERS

Variant 2

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SECTION 1

Requirement 1 – Ownership of risks

The immediate ownership of this risk lies with Alex Mhando because his engineers have a limited amount of control over the final design and the construction of the satellite. Alex has the specifications of the satellite and is aware of the possibility that it will overheat. It may be possible to reduce the risk of overheating by modifying the design. Alex could, for example, meet with the client in order to discuss potential compromises that could increase the likelihood of a successful mission. It may be possible to replace some of the intended electronic components with less powerful devices that will emit less heat and still provide the client with the expected level of service. Alex could also insist on allowing sufficient time to use Leothayre's test facilities to check that the risks of overheating are understood and can be kept at an acceptable level. If tests indicate that there is a high probability that the satellite will suffer a catastrophic failure as soon as it becomes operational, then his department should be free to communicate that concern to the client.

It should be made clear that Alex's initial reservations about this contract have been noted and that his responsibilities are limited to reducing the overheating risk as far as possible. He will not be expected to offer the same level of assurance with regard to reliability as is usually given when Leothayre designs and builds a satellite under normal conditions. His department will, however, be expected to inform the Board about the likelihood of malfunction. The client will ask questions if the satellite malfunctions shortly after launch and may seek compensation in the event that Alex was reckless in the design and construction. Alex should ensure that all reasonable precautions are taken against overheating, subject to the constraints that have imposed by the client's need for an urgent launch. He should then protect Leothayre by preparing a detailed record of the steps that were taken to mitigate the risks of overheating, given the constraints imposed on the design process.

Mark Jones has the greater responsibility for the risks arising from this contract because he appears to have signed the document recklessly, despite the risk that Leothayre will be unable to deliver a reliable satellite that meets the client's

requirements. His decision to sign the contract opens the company to potential reputational damage if the satellite fails shortly after its launch. The client may be able to claim compensation, possibly seeking the support of independent experts to study the design and to comment on whether it appears sufficiently robust to operate without incident for 4 to 8 months. Mark should be made responsible for maintaining the ongoing relationship between Leothayre and the client, working with Alex to assist in negotiating any delays or changes in the capability of the satellite. The client is likely to be unhappy about any relaxation of the contract conditions and so Mark should accept responsibility for persuading them to accept, with technical support provided by Alex.

Making Mark own the risks associated with this contract will discourage him from repeating this behaviour. Alex, the Technology Director, was either not consulted before the contract was signed or his advice was not heeded. Leothayre is now in a position where it has agreed to build a satellite that is compromised in terms of its design and so carries a high risk of malfunction. Making Mark own this risk and putting him in the difficult position of having to renegotiate timetables will send a clear message to the whole management team concerning the need to protect Leothayre's reputation. It may also give the Board some leverage in terms of taking disciplinary action against Mark in the event that the mission fails badly.

Requirement 2 – Ethical conflicts

Ethical conflicts arise when a decision maker is under pressure to follow an inappropriate course of action. Mark Jones appears to have been conflicted by the desire to sell a W$8.5m satellite that is inherently unsuitable for the client's needs. The principle of integrity would have required Mark to explain the risks that the satellite will fail because of the haste associated with the launch deadline. Mark may have been motivated by the possibility that his dishonesty will not be discovered because the satellite's mission will take between 4 and 8 months and the satellite is expected to last for 6 months. That possibility would not excuse his behaviour. The length of the mission will be affected by cloud cover over the target area and so the possibility of satisfactory completion before failure is a matter of chance. Mark may have been motivated by the fact that it will not necessarily be possible to determine the cause of failure if the satellite malfunctions. That would be in conflict with the principle of professional behaviour, which would require Leothayre to provide a product that is of satisfactory quality.

The client's directors also appear to have been subject to ethical conflicts. They have pushed Leothayre to shorten the development and construction period, ignoring the possibility that insufficient time will be available to do the job properly. That could be viewed as a breach of the principle of objectivity. The client's directors should have considered the work required for their contract and should have considered the time necessary for that work. They have allowed themselves to compromise their judgement because of their desire to launch the satellite quickly. There has been a lack of proper due diligence and that may prove expensive. The concept of professional competence would have required the directors to determine why satellites take longer than 3 months to build and launch and to establish whether they are taking unacceptable risks. The directors are taking significant risks with a large amount of their shareholders' money.

SECTION 2

Requirement 1 – Bidding for contract

The technological aspects of the bid will require some consideration of the integration of the sensor into a satellite. An accurate costing of the satellite that will carry this sensor will require Leothayre's engineers to have detailed information about several factors, including the size and mass of the sensor, the amount of power that it will require and the manner in which it will be connected to the satellite's onboard communications. If Clondell is reluctant to release information to bidders at this stage, then Leothayre could risk making a loss on the contract if integration is more complicated than had been expected. Leothayre will also need to know whether the sensor contains any components that could put its engineers at risk during construction. For example, onboard batteries could create the risk of shock or of fire due to short circuits. The construction of 20 satellites could take some time, which might create the possibility that the sensor will be upgraded and modified before launch. Changes during construction could complicated the design and assembly of the satellites.

A successful bid for this contract will mean that Leothayre is associated with an extractive industry. Stakeholders might object to Leothayre's involvement in this project because the satellite constellation will locate previously undiscovered deposits and could encourage further mining. Leothayre could be considered a soft target by protesters who wish to make a point about the environmental damage caused by mineral extraction and so the company could be subject to negative publicity. Launching a constellation of satellites will also increase Leothayre's carbon footprint because up to 20 rockets will be required to get them all into orbit. There will also be the need to transport the 20 satellites to the launch site. The constellation will have other environmental impacts, including the creation of additional large objects in lower Earth orbit (LEO). If any collide with other large items, then they could release a very large number of pieces of destructive space junk.

The legal issues are complicated by Clondell's secrecy. The lack of access to the workings of the sensor could lead to problems with the effective operation of the satellites. If a satellite malfunctions in orbit, then it may be unclear whether the responsibility is Clondell's or Leothayre's. The need to protect the confidentiality of Clondell's intellectual property could also be an issue if a member of Leothayre's staff dismantles a sensor and sells photographs to a rival. There could be further issues, depending on the extent to which the 20 satellites rely on one another. The failure of one satellite could have a serious impact on the operation of the constellation as a whole. Leothayre's exposure to claims for compensation could be substantial because of the scale of the order.

Requirement 2 – Share prices

The fact that share prices have increased suggests that the capital market had not foreseen the announcement of the contract to build 20 satellites. The price increase will, in theory, reflect the expected increase in the net present values of the future cash flows of the builders who are expected to stand a chance of submitting the winning bid. The fact that the increase was restricted to "several" satellite builders implies that the capital markets have identified a shortlist of potential winning bidders, which includes Leothayre. The capital markets clearly believe that this contract will enhance the winner's profits and that implies that Leothayre should

consider bidding. It is likely that the company's market capitalisation will fall back to its previous level if Leothayre rules itself out of the bid. There could be governance implications because the shareholders may be disappointed by any failure to grasp this opportunity.

There is a potential cost associated with bidding for this contract. It appears that there will only be one winner and so Leothayre should consider whether the potential benefits outweigh the risks. Preparing the bid and lobbying Clondell to award the contract to Leothayre could take up significant amounts of management time. The fact that Leothayre was one of the companies whose share price increased suggests that the probability of it winning the bid lies somewhere between 0 and 1, so the capital markets do not believe that it would be guaranteed to win. It may be preferable for Leothayre to invest the time and effort in bidding for work that has a higher expected value. Even if the share price falls in response to that decision, it will not result in any outflow of cash from Leothayre. At worst, it can be interpreted as a correction of the market price that has been artificially inflated by speculative forces in the short term.

Leothayre should not bid just because of the increased share price. The analysts who made buy recommendations just after the contract was announced do not have full access to management accounts and other information that would be required to evaluate this opportunity. The increase in share prices was based on a number of estimates that are likely to be inaccurate to at least some degree. Leothayre's Board should study the invitation to bid carefully and should have in-house engineering experts consider what the contract would involve in terms of components and material costs. Leothayre might also have to consider the opportunity costs of bidding, such as the need to complete contracted work that the markets are not yet aware of. While the share price movement is an interesting indicator, the responsibility for deciding on a bid remains with Leothayre's Board and there is no guarantee that the conclusion will be that a bid is sensible.

SECTION 3

Requirement 1 – Whistleblowing policy

The fact that such an important matter was raised through an anonymous note to a board member suggests that there are serious problems with the engineering staff. These concerns should have been reported to the writer's immediate superior, who should have passed those concerns up the chain of command. The fact that this was not done suggests that the writer was either reluctant to talk to a superior or that the superior was unsympathetic to the warning. There may be a belief that the supervisors in charge of the Clondell contract are either dishonest or are bullies. It may be that the work has been delayed and that those responsible are concealing the problems rather than admitting responsibility. A whistleblowing policy could create a means of supporting staff who are concerned about the actions of their superiors and could ensure that the Board is able to respond to problems before they become serious.

A whistleblowing policy could prove damaging if it encourages staff to make unjustified accusations against their colleagues and their managers. All issues raised through this system will have to be investigated and evaluated and it could waste a great deal of time in the process. It will always be easier to raise an issue quietly, through a whistleblowing system, than it would be to approach a superior directly. Whistleblowing might make communication of problems less efficient. It could also undermine trust, with managers being concerned that their actions could be reported to senior management through whistleblowing rather than through conventional means. Junior staff may also regard the creation of a whistleblowing system as suggesting that their superiors cannot be trusted.

Requirement 2 – Internal audit

The Internal Audit Department could start by ensuring that the whistleblowing system is properly documented and communicated to staff at all levels. There has to be a clear set of guidelines as to when it would be appropriate to raise an issue by whistleblowing and when it would be preferable to use a more conventional method of communication. It would probably be helpful for the policy to be described on a website that was accessible to all staff within Leothayre. Internal audit staff could either write the content on the webpage or they could review the page for accuracy. The Internal Audit Department could also ensure that the whistleblowing scheme was communicated to all staff, perhaps through email. It could also check that the scheme was mentioned during the induction of new staff. Ensuring that there are formal descriptions in place will increase the likelihood that the scheme will be used correctly. If the scheme is described accurately, then staff will not be discouraged by a weak response to reports that have not been submitted correctly.

The whistleblower website could have a link through which members of staff can submit reports. There should be a clear format for reports, with staff encouraged to identify themselves and the person or persons on whom they are reporting. Anonymous reports may still have to be investigated if they relate to potentially serious matters, but reports will be more credible if staff are prepared to attach their names to them. The responsibility for downloading and reviewing whistleblowing reports should lie with designated internal audit staff, preferably senior auditors. Internal audit tends to be self-contained and so staff from line departments will be more willing to report to audit staff who are independent of their departments and

departmental supervisors. The auditor can reassure the person submitting a report that the report has been received and will be investigated further.

The audit staff who open the reports should be required to rank them in terms of importance and to attach their recommendations to the report. Some reports will require immediate action by senior management, while others will be less urgent or may require no further action. Having such a priority rating will be valuable in supporting disciplinary action arising from a subsequent investigation. Guilty parties might challenge the outcome of an investigation because of the time taken to respond. It will also be useful to maintain records of the urgency of reports because the Internal Audit Department can compile regular reports on the numbers of comments received and the manner in which they were resolved. Such reports will maintain the visibility of whistleblowing within the company.

Follow-up requests should be passed to the Head of the Internal Audit Department. It may be that some complaints will refer to breaches of procedures or fraud. Those would be matters for internal audit and so the Head can assign staff to investigate. Other complaints would be better investigated by line managers, such as the concern that was raised with the Operations Director. The Head of Internal Audit would be able to request the attention and support of senior managers in all departments. The Head of Internal Audit would also be in a position to negotiate a deadline for a response from senior management and to request a copy of a report on the investigation. The Head would then be able to check that all matters passed on to other departments have been investigated properly.

STRATEGIC CASE STUDY

May 2025 & August 2025

EXAM ANSWERS

Variant 3

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SECTION 1

Requirement 1 – Scenario planning

Leothayre's Board should be realistic about the possibility that there could be a delay that would prevent the deadline from being met. Leothayre is dependent upon third parties, particularly the launch provider, to ensure that the satellites are launched on time. The contract specifies that Leothayre will not be paid until the satellites are operational, which could place a serious burden on the company's cash flows if payment is delayed for an extended period. Leothayre could start by aiming to eliminate as many risks that are out of its control as possible. For example, it could schedule spaces on rockets and enter into binding contracts with the launch providers so that Leothayre can claim damages if it suffers any loss due to a delay or failure of the launches. Leothayre could also attempt to simplify its position in the event of a delay, regardless of the cause. Negotiating a system of progress payments that fall due when specific stages are completed would reduce the burden on cash flows. For example, Clowdcarry might make a partial payment after each satellite has been built and tested, with the remaining payment being settled when the constellation is operations.

Leothayre should identify the factors that might affect the ground station's ability to communicate with Clowdcarry's aircraft because it could find itself in breach of its commitment to ensure constant communication. The first issue is whether 20 satellites will be sufficient to ensure that the ground station can always make contact with the constellation at all times. It will be necessary to seek Clowdcarry's intentions for the orbits that its satellites will follow and to ensure that there will be no periods when gaps in coverage will arise. There may also be issues associated with the routes flown by the aircraft and the airports at which they might land. Clowdcarry will have to accept that it cannot necessarily guarantee contact in all locations. The contract should specify the areas of operation for the aircraft so that Leothayre can confirm that contact can be maintained. There is also the question of whether the communications equipment to be installed in Clowdcarry's aircraft will be suitable for this application. Leothayre should ensure that it has a formal commitment from

Clowdcarry concerning the communications equipment that it intends to install and the range that the equipment can cover.

Leothayre should consider the issues that might affect its ability to staff the ground station, which will be based at Clowdcarry's head office in Lowland. The first concern is that there may be a shortage of suitably skilled staff to fill these positions. Leothayre should seek local advice from a recruitment consultant in the country, asking about the availability of staff with the necessary qualifications. If there is a shortage of staff, then Leothayre might renegotiate the contract to place the responsibility for recruitment with Clowdcarry. There could be issues associated with the location of the head office or the conditions faced by staff who work there. Leothayre should contact Clowdcarry's HR Department to ask about its experience of recruiting and retaining technical staff. Working conditions might be difficult because Clowdcarry's head office could be at a remote site, such as a cargo airport. Leothayre should also consider the possibility that Clowdcarry could poach its staff, offering them higher salaries for agreeing to transfer between companies. It may be possible to reach an agreement that Clowdcarry will pay substantial compensation in respect of any ground station staff whom it employs.

Requirement 2 – Transaction risk

Leothayre must pay the launch providers for the launch costs, including places on the rockets and the facilities at the space ports. Ideally, it will be possible to negotiate payment in W$, which will eliminate Leothayre's transaction risks. It may be difficult to negotiate pricing in that currency because it will be passing the currency risk on to the launch providers, who will clearly have no desire to accept the risk. Leothayre might, however, have an advantage because the launch providers will have to launch their rockets with empty capacity if they cannot find buyers. Leothayre could threaten to negotiate with their rivals at other space ports if they cannot obtain the deal they require.

The contract requires Leothayre to accept the lump-sum payment for the satellites in C$. The simplest response to the transaction risk would be for Leothayre to sell the C$ forward, which would fix the rate that will apply at the time of payment. Leothayre would, however, have to be confident of the timing of the payment. This is a complicated contract and the receipt could be delayed if there are any holdups in the launch of the satellites. Rather than a forward sale, Leothayre could consider the purchase of an option that would allow it to benefit from a fixed rate if the cash is received and the exchange rate makes it worth exercising the option. Leothayre could consider evaluating the exchange rate forecasts implicit in interest rates. If the rate is predicted to be favourable by January 2027, then it might be worth considering accepting the transaction risk.

The revenues from the staffing of the ground station are also fixed in terms of C$. The simplest thing for Leothayre to do would be to accept the transaction risks, allowing the net amount received each month to fluctuate in line with movements in the exchange rate. The contract requires Leothayre to recruit and staff the ground station. If they are paid in C$, then the payroll costs will have transaction risks that will offset the receipts from Clowdcarry. The transaction risk will be reduced to the net receipt from the contract, after the costs incurred in the host currency have been considered. If the currencies are volatile, then it is to be hoped that gains and losses will occur over the 3 years and that the net gains and losses on a month-by-month basis will tend to cancel.

SECTION 2

Requirement 1 – Stakeholders

Waskan Aviation will have limited power in the first instance because Leothayre can, and possibly should, continue to work on Clowdcarry's W$500 million contract. That contract must offer an acceptable net present value or Leothayre will not sign it. It might be possible for Leothayre to enter into further contracts with individual airlines and to earn an even greater net present value (NPV) from work on cargo airlines, so the loss of Waskan Aviation's business might not be catastrophic. Leothayre could also consider using the capacity that Waskan Aviation's proposal would require to diversify into other industries that rely on satellite support.

Waskan Aviation will have high interest because the negotiations with Leothayre could provide it with a competitive advantage in its sale of aircraft. If the modifications are specific to its cargo planes and if the system provides it with lower operating costs or improved performance, then more airlines will buy its aircraft rather than selecting those from rival manufacturers. Waskan Aviation will also have an interest in the decision to equip Clowdcarry under the existing contract. Clowdcarry operates sufficient aircraft to launch its own satellite constellation to support them, so its actions will be of interest to the maker of its aircraft.

Clowdcarry has significant power because it could cause Leothayre significant reputational damage. The nature of Leothayre's business means that it has to advise customers on satellite-based systems that can enhance their business models. That means that Leothayre will often have to enter into confidential discussions concerning how best to meet customers' needs. If Clowdcarry complains publicly that Leothayre has breached its confidence by entering into negotiations with another entity, then Leothayre could lose significant future business.

Clowdcarry's interest in Leothayre's decision depends on whether it would be interested in Waskan Aviation's advanced system. If Clowdcarry will continue with its own constellation, then it could award the contract to a rival satellite builder. Leothayre has not yet been awarded a contract by Clowdcarry, so it could easily offer the contract to a rival builder without delaying matters. If Clowdcarry wishes to switch to the more advanced system, then it would be desirable for Leothayre to build that because the initial work undertaken with Clowdcarry might result in a system that is biased towards the airline's needs.

Requirement 2 – Dividend

Leothayre should give shareholders as much notice as possible concerning the decision to suspend the dividend. An unexpected announcement that the dividend will be suspended for such an extended period is likely to unsettle the market and so Leothayre's share price is likely to fall regardless of how the announcement is organised. If the notice is made well before the shareholders would normally expect the dividend announcement, then the capital market will have the opportunity to see that the company is not operating under conditions of duress and so the share price will, hopefully, recover. If the announcement is made at the last possible minute, then the market might interpret that timeframe as indicating that the Board has been struggling with an attempt to protect the dividend and has failed. An early indication may assist shareholders who rely on dividends for income. Knowing that no dividend will be paid for 2 years could be dealt with by selling some shares to generate cash.

Giving the greatest possible notice will enable those shareholders to track Leothayre's share price in the hope that it increases and so minimises the number of shares that have to be sold. Unfortunately, there is very little that an early announcement can do to assist shareholders who prefer dividends because of their tax circumstances. It would be sensible for Leothayre to at least acknowledge that as an issue.

Leothayre should indicate that it is suspending the dividend temporarily as a means of financing growth. More conventional methods of raising equity would be less likely to threaten market confidence, but they would also be more expensive and would take longer to implement. A rights issue would involve professional fees and would take longer for the initial funds to become available. It could be argued that Leothayre has a policy of retaining profits to raise equity. The 2024 dividend of W$65 million was 37% of the profits for the year. The alternative to suspend dividends would be to raise funds using debt, but the gearing ratio of 4,500/ (4,500 + 4,490) = 50% is already high. The company increased its borrowings by W$1,000 million during the year, which further suggests that its borrowing capacity has already been stretched. In any case, the shareholders should be reassured that the dividend is being suspended with a view to earning larger profits that will enable the payment of additional dividends in the future.

Care should be taken in terms of announcing details of the contract with Waskan Aviation because that could provide competitors with useful information. It would be highly undesirable for other satellite and aircraft companies to form their own collaborations that could compete with the project that Leothayre is engaged in. A premature announcement could also undermine Leothayre's bargaining position in relation to Waskan Aviation. Leothayre might be subject to pressure in any negotiations if its shareholders are aware that they must complete this contract. Leothayre and Waskan Aviation should agree a strategy for the announcement of this contract so that the shareholders of both companies can be informed that a profitable project is under way. Both companies should ensure that the cargo airlines who will be offered this system are briefed subject to stringent non-disclosure agreements. Leothayre should accept the short-term uncertainty associated with withholding this information, in the knowledge that its share price will recover when an announcement is eventually made.

SECTION 3

Requirement 1 – Risks associated with staff working remotely

The ground centre staff will be working remotely and so there could be concerns about their supervision, which could have a significant impact on the quality and productivity of their work. Unauthorised staff absences and other disciplinary issues might go undetected. Morale might be poor because it could be unclear whether these engineers are working for Leothayre or Clowdcarry. Hard work and initiative might go unnoticed. The ground centre staff will possibly be recruited locally and might have no sense of identification with Leothayre. They may be underqualified for their roles because local qualifications might be of poorer quality.

Leothayre could be at risk of overlooking health and safety issues for its ground station staff. Leothayre could be at risk of legal claims if staff are harmed because of unsafe work practices. Clowdcarry's Operations Centre might press staff to work unacceptably long hours or to operate in conditions that are unsafe. There could be reputational damage if staff are harmed because of stressful working conditions.

Maintaining contact through the terminals connected to Clowdcarry's network could permit unauthorised access to Leothayre's IT systems. The ground station staff can access the systems in Wexland remotely from their terminals in Clowdcarry's Operations Centre. That access could be abused by Clowdcarry staff. There could be a loss of proprietary information, including access to code for satellite operations. The fact that the terminals are located in the Operations Centre will mean that the ground station staff will not have any privacy when, for example, inputting passwords.

Software updates will be written by programmers in Wexland, but will be uploaded by engineers in Lowland, using terminals in Clowdcarry's Operating Centre. There could be some confusion about the ownership of software and the responsibility for its logic. Any errors in coding or in uploading changes could have a disastrous impact on operations. Access to aircraft and satellites could be abused, potentially disrupting communications and affecting flight safety. Leothayre could be held responsible for any software errors that lead to the loss of an aircraft or satellite.

Requirement 2 – Internal controls

There should be designated shift leaders in the team based at Clowdcarry. The shift leaders will be required to monitor attendance and performance. All staff at the ground station should be subject to regular staff appraisals that will demonstrate the company's interest in the quality of their work. Staff should be involved in frequent online meetings, intended to facilitate communication between the ground station and Leothayre's head office, and also to make them feel part of the company. It would be ideal if a senior member of Leothayre's engineering staff could be involved in setting up the ground station, interviewing applicants and evaluating their suitability. There should be induction training, preferably held at head office in Wexland, to ensure that the staff have an insight into Leothayre's culture.

Leothayre's HR Department should make contact with Clowdcarry's in order to discuss its expectations with regard to the physical and emotional welfare of its staff while they are working at the ground station. HR should obtain evidence of health and safety measures, such as reports from safety inspections or fire drills, to ensure that sufficient care is being taken. Clowdcarry's HR Department should be made

aware of the expectations in relation to matters such as paid leave and the maximum amount of overtime that can be worked by the ground station staff. These measures should ensure that Leothayre understands the manner in which its staff will be treated while they are on duty.

The ground station staff should be trained in computer security to ensure that their counterparts from Clowdcarry cannot abuse their logins. They should be required to log their terminals out of the system when they are away from their desks, even for a very short time. Access to Leothayre's systems through Clowdcarry's network should require more stringent access controls than just usernames and passwords, such as two-factor authentication. Alternatively, Leothayre might create an independent means of accessing its systems that do not rely on connecting through Clowdcarry's systems.

It would make more sense for the process of updating software to be carried out by IT staff at Leothayre's head office, using instructions and feedback from the ground station as appropriate. The entire system will be more secure if staff at the ground station notify the programmers of issues for revisions to be written and input from head office. That will leave no doubt as to who is responsible for the software. It would also be preferable for updates to software onboard aircraft to be input while the aircraft are on the ground. That would reduce the risk of hackers changing the software to risk crashes while aircraft are in flight.

STRATEGIC CASE STUDY

May & August 2025

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

Requirement 1 – Emergent strategy

This contract will require a number of significant adjustments to Leothayre's strategy. The customer wishes Leothayre to design and build the weather buoys that will enable the system to gather weather data. Those will require different engineering skills from the satellites that Leothayre usually builds. Leothayre will require additional resources to create the buoys, either through recruitment or by identifying consultancies to whom the work can be subcontracted. This is clearly an adjustment to Leothayre's current strategy of supplying and operating satellites because the customer will be heavily dependent on the buoys' ability to maintain contact with the satellite links, particularly under adverse weather conditions. This could leave Leothayre exposed to significant risk if the buoys are damaged by rough weather and transmit misleading information. The contract will also require a change to the strategic issues relating to staffing. Leothayre will have to recruit sufficient engineers to operate the ground stations on each of Bulkore Shipping's ships. That could require additional skills, beyond the operation of the ground station itself. It could leave Leothayre exposed to the risk of breach of contract if it is unable to recruit or retain sufficient operators to allow ships to set sail with sufficient satellite operators. It could be argued that the strategic shift associated with this contract is incremental rather than a major step change. Leothayre is used to providing customers with custom-built satellites, each of which involves its own engineering challenges. The additional skills required to design and build the buoys can be addressed by working with a capable consultant, who will be able to advise on the risks associated with designing buoys capable of withstanding these weather conditions. The recruitment of ground station staff presents additional challenges, but Leothayre has experience of staffing ground stations in remote areas that rely on satellite communications. Incremental change is consistent with the concept of an emergent strategy. Leothayre's business makes it ideally suited to an emergent strategy. Satellite technology is constantly changing and the company must be willing and able to meet evolving customer needs. Those changes will include adapting to new engineering challenges, such as designing satellites to carry new sensors and developing new

ground stations to address changing needs for collecting satellite data. The Bulkore Shipping contract demonstrates the need to be adaptable in bidding for and accepting new business opportunities in order to take advantage of unforeseen opportunities. It is possible that there will be further demand for localised weather buoys and that completing this contract will provide Leothayre with an advantage in bidding for them. It would have been difficult to have predicted this opportunity and so it is desirable for Leothayre to be responsive to emerging customer needs. Leothayre's directors must, however, remain in control of the company's strategy. While it is sensible to take advantage of opportunities, there must also be an overall sense of direction. The Board is aware of the strategic resources that are already available and should be able to work on developing new and better ways to apply those resources in conducting business. It might, for example, have been better to have focussed on its experience of building satellites and operating conventional ground stations than to have risked being distracted by the challenges associated with the Bulkore Shipping contract. The emergent approach allows for strategy to be tried and developed as it is implemented, but there is no guarantee that doing so will be effective. At the very least, the Board should consider whether a potential new direction will be likely to benefit the company overall.

Requirement 2 – Political risks

The Eastlandian Government might be reluctant to permit shipping to sail through the southerly passage because of the risk to life and property. The government may also be concerned about its potential duty to provide search and rescue facilities that cover this dangerous area. There could be an outcry on behalf of the country's emergency services.

There could also be concerns about environmental damage brought about by diverting large numbers of ships through the southerly passage. This area of sea has been left undisturbed in the past. There could be concerns about pollution or the impact on local wildlife. The government could introduce legislation that would protect specific habitats, which could make it more difficult to transit through the southerly passage while avoiding areas of bad weather.

Leothayre could provide computer simulations of the weather conditions that would be encountered by ships when they choose to use the southerly passage. That would provide some insight into the dangers that ships would encounter. It could also agree to share data with the other shipping companies, which would reduce the cost of trade for the Eastlandian economy. Having more ships transiting the route will mean that assistance is available in the event of distress, without requiring assistance from the emergency services.

The concerns about the damage to wildlife could be addressed by commissioning an independent review of the risks. Leothayre could seek advice on how best to protect habitats, perhaps agreeing to restrict navigation to specific routes in order to manage the impact. Bulkore Shipping could also provide assurances that it will operate its ships in an environmentally safe manner, with captains under strict orders not to dump garbage or other waste into the sea.

SECTION 2

Requirement 1 – Fee-based service

It could be argued that this proposal fails on the suitability criterion. Bulkore Shipping is effectively asking Leothayre to provide funding for a significant strategic project. Leothayre is not sufficiently cash rich to provide funding for projects at this level. It would have to raise the finance in order to assist Bulkore Shipping. Even if it had the necessary funds, Leothayre does not have the expertise required to evaluate credit risks of this type. It would be more suitable for a commercial bank to advance this type of funding than it would be for Leothayre to do so.

It is unlikely that the proposal would pass the acceptability test because the shareholders will be concerned to see that Leothayre has recognised revenue from this major contract over a 2-year period but has very little cash to show for it. There is also the concern that Leothayre will be exposed to significant risk of default. There is also no guarantee that Bulkore Shipping will survive for the 10 years required to complete this contract. That could make the shareholders even more nervous. Leothayre could be left with assets that will be difficult to realise if its customer fails after a few years, especially if the failure is due to a lack of demand for shipping from the ore terminal.

The proposal probably would be feasible from Leothayre's point of view. Leothayre is adding a great deal of value to the W$1,800m that it will spend on this contract. It does not have to bear the cost of the entire W$3,000m that it will sell the hardware and launch costs for. It should be possible to raise the finance required to offer Bulkore Shipping a fee-based service. The only concern would be the lost opportunity to put the funds to use in seeking further large contracts.

Requirement 2 – Financing project

Debt is a cheaper source of finance than equity. The gross cost of debt is lower because lenders take fewer risks than shareholders. Debt is also cheaper because of the availability of tax relief on interest. Looking at Leothayre's current financial position, the most immediate issue is that the company is already quite highly geared. Gearing is 4,500/ (4,500+4,490) = 50%. Borrowing the funds will increase gearing to (4,500+1,800)/ (4,500+1,800+4,490) = 58%, which is a significant increase. Leothayre borrowed an additional W$1,000m during the year ended 31 December 2024. The previous year's gearing figure was 3,500+(3,500+4,380) = 44%. Borrowing funds for this project could create a worrying trend, with gearing rising significantly over a period spanning the ends of at least 3 financial years. Leothayre might not have sufficient debt capacity to borrow the W$1,800m.

Equity might be more readily available than debt. Raising the funds using equity will reduce gearing to 4,500/ (4,500+4,490+1,800) = 42%, which is a significant reduction. It will also benefit Leothayre by freeing up borrowing capacity, which will make the company's finances more flexible in the future. Equity may be more expensive, but Leothayre has the advantage that it aims to use the funds raised to finance a positive NPV project. The share price should be strong and so the impact on the share price overall should be reduced. The W$1,8000 will be spent over the next 2 years, so there should be sufficient time to raise the equity finance by means of a rights issue. There will be time to make the necessary administrative arrangements and to give the shareholders the opportunity to consider their interests

before the cash is actually needed. Leothayre will probably be able to cover any shortfall by raising short-term loans on the understanding that they will be repaid from the proceeds of the rights issue.

The choice between debt and equity will be affected by the Board's decision concerning Bulkore Shipping's counteroffer. If the counteroffer is rejected, then Leothayre will really only require the funding for 2 years, until the satellites and buoys have been launched and paid for. That would make debt preferable because it would be possible to borrow the funds in the short term, with a view to making repayment in full once Bulkore Shipping settles its account. Fresh equity would be a permanent source of finance. If the counteroffer was rejected, then it could be argued that Leothayre would have no further need for the finance after 2 years and it would be bearing the cost of equity indefinitely. If there is any uncertainty about the acceptance, then it might still be worth making a rights issue. If the offer is accepted, then the need for the funding will be extended and Leothayre will not have to settle debt for an extended period. If the offer is rejected, then Leothayre will have funds in place that it might use to finance any further major contracts that it is offered. The publicity and recognition from the Bulkore Shipping contract could enable Leothayre to win similar contracts and so it might be helpful to have equity in place to allow for any such expansion.

SECTION 3

Requirement 1 – Ethical issues

Asking staff to work under those conditions is a breach of professional behaviour, which requires Leothayre's Board to comply with the law. Employers are under an explicit legal duty to provide employees with a safe working environment. They are not entitled to put employees in danger, even if they pay an additional sum to compensate for the risk that is being taken. This action could discredit the company's Board by creating the impression that profit comes before employee safety. Shareholders may be reluctant to elect directors who are prepared to behave this way and, by implication, to portray the shareholders as greedy.

It could be argued that paying more for this assignment breaches the principle of integrity, which requires Leothayre to be straightforward and honest. The extra salary is putting the operators under financial pressure to accept an assignment that might not be in their best interest. A salary increase could boost the operators' quality of life and that of their families. The offer could lead them to ignore the associated risk associated with the assignment. Min-Chieh knew that the operators could be bribed into accepting risks that most people would regard as excessive.

The offer breaches the principle of objectivity, which forbids the directors from compromising judgement because of bias. The directors have an explicit duty to protect their employees and that duty should stand, no matter what. The problem here is that the directors are allowing themselves to be pressured into exposing their staff to risk in order to protect their profits. That is confirmed by the actions of the operators themselves, who had already expressed reluctance to accept those risks and only changed their minds when the increased salary was offered.

Asking staff to work under those conditions is a breach of professional competence and due care. Leothayre's Board should be working in accordance with applicable standards. One of those standards, which is almost certainly required by law and by contract of employment, is that employees should be provided with safe working conditions. It could be argued that Leothayre is acting in breach of that standard, regardless of the extra pay. Employers have a duty of care to protect their employees. They are not entitled to pay them to accept additional risks on a voluntary basis.

Requirement 2 – Controls

The system for checking the weather should be tested thoroughly before any ships carrying Leothayre staff (or any other crew) sail through the southerly passage. There should be a period during which the weather conditions in the passage are verified remotely, perhaps using drones to check that the sea is indeed calm. Any discrepancies between those observations and the readings from the satellite data should be noted and investigated. Bulkore Shipping should agree that the operators will monitor sea conditions for, say, 1 month using the ground stations in order to check that they can receive and interpret data. The results of these checks should be reviewed by Leothayre before the system is used to commit a ship to the southerly passage.

Bulkore Shipping should establish clear criteria for the interpretation of the satellite data as indicating that it would be safe to sail through the southerly passage. Those criteria should be reviewed by independent shipping experts to confirm that the sea

state lends itself to safe passage. There should be further rules and regulations that indicate whether any changes in the weather should require a change of direction or a return to port. It should be made clear to Bulkore Shipping that all operators will be withdrawn from the ships if there is any breach in these conditions.

All operators should be instructed to remain aboard ship whenever it is docked at the ore terminal. They should not be required to go ashore for any reason, including matters of ship's business, such as replenishing stores. Bulkore Shipping should agree that its ships will have adequate security in place when docked at the ore terminal. The operators should be provided with a list of potential destinations that are regarded as safe, and any time spent ashore during a voyage should be restricted to ports on that list.

A designated manager at Leothayre's head office should track the movements of each of Bulkore Shipping's ships and should identify those that dock at the ore terminal Leothayre's operators should send a daily message that confirms they are safe and well. That message should contain a key phrase that is effectively a coded message that they are not messaging under any form of duress. If the message is missed for any reason, or the coded phrase is used, then an investigation should be launched into the operators' safety.

STRATEGIC CASE STUDY

May & August 2025

EXAM ANSWERS

Variant 5

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SECTION 1

Requirement 1 – Resources

Orbshoot's directors are clearly interested in this acquisition as a means of funding the development of Orblifter Return. There would be very little point in making this acquisition unless Leothayre's Board was confident that it could raise the W$2 billion required to complete the development work. The acquisition itself will be funded by an exchange of shares, so there is no need to be concerned about the cost of the 60% stake. Leothayre must, however, establish whether it can raise the necessary finance for the development work. A rights issue might not work because the founders of Orbshoot will have become Leothayre shareholders through the share exchange. If they are unable to take up their rights in a fresh share issue, then the existing Leothayre shareholders might become suspicious of the venture. The issue might then fail because the market might be reluctant to take up any unused rights. Leothayre might consider using debt, but the company's gearing ratio is already high at 4,500/ (4,500+4,490) = 50%. Adding a further W$2 billion would involve a significant increase to (4,500+2,000)/ (4,500+2,000+4,490) = 59%. Furthermore, Leothayre borrowed an additional W$1 billion during the year ended 31 December 2024, which might make lenders reluctant to advance still more.
Leothayre will have to be confident that it has the expertise required to complete the development work. That may be a problem because it does not currently employ engineers with an interest in the design of rockets. The skills required to design and build satellites are very different. Orbshoot's engineering staff are skilled in designing and building rockets and they have brought Orblifter Return to its current stage of development. Unfortunately, it will be difficult to guarantee that the Orbshoot staff will remain with the company after the acquisition. Leothayre could attempt to encourage them to stay by offering high salaries, but that could demotivate the existing satellite engineering staff.

Leothayre can, presumably, count on the continuing support of Orblifter's Board, which will hopefully assist in the management of the final development work. Orbshoot's founders have already been successful in leading the development of conventional rockets that integrate well with small satellites. They will be

shareholders in the Leothayre Group, which will provide some incentive to remain and support the development of Orblifter Return. Their retention of 40% of the new subsidiary will create the potential for some friction if their interests ever diverge from those of Leothayre. The Leothayre Group's consolidated financial statements show no non-controlling interests, which means that the main Board has no experience of dealing with minority shareholders.

Leothayre's presence in the market for rockets will be a source of confusion. At present, it builds satellites and makes arrangements with launch providers to place them in orbit. It does not appear to have a particular relationship with any rocket company, which gives it the freedom to use whichever launch provider and brand of rocket happen to be available. Leothayre's acquisition of a controlling interest in Orbshoot could affect Orbshoot's position in the market because potential customers may not believe that Leothayre can ensure the quality and performance that they are used to. Leothayre might be forced to use Orblifter and Orblifter Return rockets for all of its launches, in order to show loyalty to its own brand. That could harm the Group's overall performance in terms of arranging launches at acceptable prices.

Requirement 2 – Negotiation

The fact that Orbshoot is unlisted means that there is no observable market price that could be used as a starting point in any negotiations. That in itself complicates negotiations because it will be difficult to tell whether Leothayre is obtaining an acceptable exchange of shares. Leothayre's shareholders might be concerned that their equity is being diluted because too many shares have been surrendered in return for the controlling interest. Leothayre's Board might be reluctant to make a realistic offer, and so could lose the opportunity, because they are afraid of being accused of giving away too much equity.

The valuation of Orbshoot is more complicated because of the fact that much of the company's value lies in the intellectual property from the completion of Orblifter Return. The existing core business is compromised because Orbshoot matches rivals on reliability but is more expensive in terms of price. Deciding on an acceptable exchange will require Leothayre's Board to estimate the synergy gains from bringing Orbshoot into the Group. That will be a difficult estimate to justify in any subsequent discussions with shareholders.

Orbshoot's founders are not accountable to a body of shareholders because they own all of the equity. That grants them greater flexibility in negotiation, including the possibility of approaching a rival company in the space industry. All they really require from Leothayre is a source of funds, which means that they need not necessarily come to an agreement for the exchange. Leothayre's Board faces potential criticism if they allow the opportunity to slip away because they offered too little equity to secure a deal.

SECTION 2

Requirement 1 – SAF

The suitability of the acquisition of the subsidiary depends on the strategic fit between Leothayre and Orbshoot. The lack of a working prototype does not have a direct impact on that strategic fit. Orbshoot has conducted successful tests that simulate the recovery of Orblifter Return. It has also patented the technology used in the mechanism. There will always be a risk that the performance of a new product under development will prove disappointing, but Orbshoot seems to have progressed beyond the need to prove its design by building a prototype. Certainly, any new technology that has the potential to reduce Leothayre's launch costs by 10% would be a suitable target for investment by the Group.

The acceptability depends largely on the likely reaction of Leothayre's shareholders to the acquisition. They are effectively exchanging shares for the future commercial benefits to be had from the sale of Orblifter Return, so they might be concerned at the lack of a prototype. In the short term, it may prove difficult to persuade the shareholders that a prototype is unnecessary and so the share price could drop because of this. The real question is whether Leothayre's Board can be confident that the rocket can be made to work and will be put into production. If so, the shareholders' concerns will be addressed when that happens. Leothayre's Board may be taking a risk with regard to acceptability, unless it is possible to offer a realistic timescale for the completion of the development work.

The feasibility depends on whether the Leothayre Group will have the means to put Orblifter Return into operation. The lack of a working prototype might discourage shareholders or lenders from providing an additional W$2 billion. Leothayre would effectively be asking the providers of the finance to bear the risks associated with the completion of the development work. It is possible that there are unforeseen technical problems associated with the construction of a working prototype that can work properly under real conditions. Lenders with experience in funding complex development projects may be concerned that there will be delays and adjustments that will require even more funding to address.

Requirement 2 – Scenario planning

Leothayre should consider alternative marketing strategies for Orblifter Return, other than the price of launches. Orblifter Return allows the materials used to build the rocket to be returned to Earth, rather than just allowing the stages to burn in the upper atmosphere. Any unburnt fuel will also be brought back to Earth for safe disposal rather than having it disperse and pollute areas downrange from the launch. It could be argued that Orblifter Return is more environmentally friendly and sustainable than single-use rockets. The fact that Orblifter Return can be rebuilt and relaunched might also provide greater flexibility with respect to maintain the operational tempo at spaceports. A single-use rocket has to be fully assembled from components, whereas Orblifter Return arrives at the spaceport as two substantial assemblies. Any operator who wishes to plan the launch of a large constellation of satellites could benefit from the use of a reusable rocket in order to reduce the time between launches.

Unfortunately, rockets are inherently dangerous. They contain large amounts of highly flammable rocket fuel that can explode in the event of a simple malfunction

such as a leak. The production rockets might be built under different conditions and to slightly different designs to prototypes and so the first commercial launch should be planned on the basis that it is at greater risk. It would be logical for the first commercial launch to carry a payload that is replaceable and is not particularly expensive. The payload could consist of standard satellites or even ballast. The adverse publicity associated with the explosion will be even greater if the rocket was carrying a vital payload whose loss will create significant inconvenience. Leothayre should have a leading public relations company on retainer, to be ready at all times to manage any bad publicity arising from a mission failure. The PR company should be briefed immediately after the explosion and should be left to manage the press response. Staff who have not been briefed by the PR company should not provide the press with any comments or other information.

The pricing of launches using Orblifter Return should not be made public until the rocket enters service. That way, there will be less reputational damage in the event of disappointing performance. If it is deemed safe to continue with launches, then Leothayre should maintain its pricing to enable the expected 10% saving, even if that results in losses in the short term. This problem should have been anticipated by taking the first rocket to be used in a commercial launch out of service after its return. The rocket should have been dismantled and structural components should have been tested for weaknesses or cracks. Rockets operate under extreme conditions during launch, in orbit and when returning to Earth. They experience massive changes of temperature. Some structural problems should have been expected. If there are structural problems, then it should be considered whether it is safe to continue to reuse the rocket. It may be prudent to cancel further launches until the problem can be addressed. Leothayre will suffer massive reputational damage if it launches a rocket for a second or third mission and the mission fails or the rocket explodes because of known structural problems. Any disruption to launch schedules should be explained on the grounds that Leothayre does not wish to put valuable satellites in danger or to risk the possible environmental damage that could result from an explosion.

SECTION 3

Requirement 1 – Capitals

The Leothayre Group controls substantial intellectual property in relation to Orblifter Return. It owns the patents relating to the designs that make the safe recovery of the stages possible. Those patents should be reflected as non-financial capital in the Group's annual report. Leothayre is also developing organisational capital, in the form of experience of successfully recovering the stages intact and the processes associated with returning rockets to service. It would be foolish to agree to exclude this information from the Group annual report just to protect the feelings of Orbshoot's engineers. The shareholders will be keen to learn more about the benefits that they can expect from Orblifter Return. There is nothing to prevent Leothayre from acknowledging that the rocket was design and is being operated by specialists from the Group's Orbshoot subsidiary.

Leothayre can claim to be developing human capital within the Group by training engineers in new skills, such as piloting the stages on their return to the spaceport. The engineers are also developing skills in the design and construction of a new rocket that had advanced capability. The fact that they have had this experience will make their jobs more interesting and will increase staff loyalty. Again, Orbshoot may claim that they recruited and trained the engineers, but these are new skills that have been brought into the Group. The shareholders will benefit from gaining an understanding of the new technical skills that have been brought into the Group. There is also an argument that the funding provided by Leothayre has made the engineering experience possible.

The social capital from this venture arises in a number of ways, particularly in relation to launch partners. The Leothayre Group can extend the range of services that it offers to include the launch vehicle as well as the satellite. That changes its relationship with customers and with launch sites. The launch of the prototype means that future contracts could be simpler because there are fewer relationships that need to be maintained. In this case, the impact on social and relationship capital came about from the collaboration between Orbshoot and Leothayre and both contributed directly to the capital. Shareholders will be interested in the dynamic of the relationships between the different entities involved.

Requirement 2 – Orbshoot's directors

The 25% ownership of shares indicates that Orbshoot is a major subsidiary of the Leothayre Group. That would be sufficient to suggest that there should be some representation on Leothayre's Board. In the absence of representation, Orbshoot's directors could feel unhappy with the direction that the Group is pursuing and could sell some or even all of their shares. Any such disposal would affect the share price and could leave Leothayre open to a takeover bid. Having an Orbshoot director on the main Board would enhance communication between the Group and the subsidiary. Orbshoot's directors would feel that they are being kept informed and that they have some input into the oversight of the company that they founded. The directors would also be taking back some of the control of Orbshoot that they lost when they sold a controlling interest in their company.

It might make sense to split the role of Technology Director into two, one director taking responsibility for satellites and the other for rockets. The expansion of the

Group into rockets means that there would be additional work in that area and so there is no reason for Alex Mhando to feel slighted in any way. The two directors could, however, collaborate on the servicing of any contracts that require the Group to produce both a satellite and a rocket to launch it. The Technology Director must liaise with the others because there are direct relationships with Operations, Finance and Marketing, so communications would be enhanced. The Technical Director, or closest equivalent, from Orbshoot could fulfil that role perfectly. The job would overlap with the existing position on Orbshoot's Board, so the individual would not be overburdened.

Orbshoot is an unquoted company, so it probably doesn't have any non-executive directors. Any attachment to Leothayre's Board must, therefore, be an executive director. It would not be appropriate for an executive director from Orbshoot to serve as a non-executive with Leothayre because the role of executive director with Orbshoot would interfere with independence from operational matters. The addition of an executive director to Leothayre's Board would create a case for the appointment of an additional non-executive. That person should be recruited from outside. It might be appropriate for that non-executive to pay particular attention to the governance of the Orbshoot subsidiary because it is such a major part of the Group. The non-executive could then report to the Non-Executive Chair on any specific issues arising from that supervision.

STRATEGIC CASE STUDY

May & August 2025

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

Requirement 1 – Scenario planning

The delay in the delivery could put Leothayre under pressure to deal with the delay so that customers' satellites are launched on time. Leothayre will have to contact the spaceport and enquire whether the delayed arrival of the rockets will affect the availability of facilities, including the assembly building and launch pads. It may prove difficult for the spaceport to make those facilities available in time to meet Leothayre's needs because they could already be allocated to other launches. Leothayre should start by reviewing the needs of its customers to establish whether any delay in launch will create a significant problem. If not, Leothayre should negotiate a delay with its customers, promising a specific time for the delayed launch. Hopefully, Leothayre has contingencies in place if it finds that its customers are forced to insist that the launch be on time. It may be possible to persuade the spaceport to delay a competitor's launch in order to free up the assembly and launchpad facilities. Alternatively, there might be a different launch site that can be used and that can accommodate Leothayre at short notice to assemble and launch its rockets.

The loss of two payloads within a short period could create significant reputational damage for Leothayre. It is unlikely that it will be able to pass the blame for this on to Erthboost. The fact that Leothayre depended so heavily on a new design of rocket will make the company appear reckless. The loss of one new rocket might be excused on the grounds that there is always a risk of malfunction, but the loss of two from the first batch suggests that greater care should have been taken in Leothayre's choice of rockets. The response to this scenario really depends on having the ability to show that all reasonable precautions were taken and that those suggested that the risks were acceptable. Leothayre should investigate the extent of Erthboost's testing of this new rocket and should review the success rate of prototype launches. The purpose of this would be to ensure that the risk associated with using so many

rockets from the first production batch had been evaluated and found to be tolerable, ideally in line with the risks associated with proven designs. Leothayre should ensure that it briefs the customers whose satellites will be launched using the batch of Erthboost 20 in order to obtain the agreement that the new design should be used.

The main advantage being claimed for Erthboost 20 is that it can launch satellites without leaving space junk in orbit. In that sense, this failure will represent a possible reputational problem for Leothayre. The concern could be that the design flaws that led to the junk in orbit could suggest more serious design flaws that could lead to the loss of the rocket. There could also be practical concerns, such as the possibility that releasing space junk in the same orbits as satellites could create a heightened risk that the satellites could be damaged. Leothayre should review each launch and should evaluate whether the new rocket performed as expected in each case. Erthboost should be required to provide responses to this feedback, indicating how the problems that have been encountered are being addressed. Leothayre should stop using Erthboost 20 after two or three failures to eject satellites smoothly and without the discharge of debris. It should not agree to any further use of this rocket until Erthboost can demonstrate that it has rectified the problem.

Requirement 2 – Customers' power and interest

In theory, customers have the absolute power associated with the choice of rocket because they can refuse to sign a contract unless they are satisfied with that choice. That power may be no more than theoretical because the choice of rocket manufacturer might not be decided when the contract is signed. The contract might simply grant the authority in relation to the choice of rocket to Leothayre. Customers might delegate this decision because they do not have the expertise to choose between different rocket manufacturers and so they do not have the ability to make an informed choice. Alternatively, the power to choose might be reflected in the application of a simple selection on the basis of the lowest price. The power might be further undermined because any request to change the launch arrangements could delay the launch of the customer's satellite. If there is any urgency associated with the launch date, then the customer will lose much of the power to insist on adjustments.

The customer's interest in sustainability could be informed by measurable benefits, such as the rocket's fuel economy. Erthboost 20 minimises the use of fuel, which is both more sustainable and cheaper. There could be reputational benefits in using less fuel for launches because environmentalists will have fewer concerns in terms of pollution as well as consumption of scarce resources. Customers might use their interest in sustainability to counter any criticism associated with the decision to launch satellites for commercial gain. The prevention of damage to satellites due to space junk is more difficult to analyse. Space junk can cause serious damage to valuable satellites, but the probability of any particular operator's satellite being damaged is very low. The elimination of space junk is a serious matter for satellite operators collectively, but it is unlikely to be a matter of huge interest to any individual operator. The main cause for concern is likely to arise from the possibility that Erthboost is found to be in breach of the Space Junk Charter, which would make the customers who use its rockets appear to be irresponsible with respect to the operation of satellites.

SECTION 2

Requirement 1 – Ethics

Min-Chieh is in breach of the principle of integrity, which requires her to be straightforward and honest in all business relationships. The fact that Tainers' Finance Director seemed confused over the risks associated with the recommended choice of rocket makes it clear that Min-Chieh should have taken care to explain the problem more clearly. Leothayre's customers are unlikely to have a great deal of understanding of the technology associated with satellites and the rockets used to place them in orbit. Customers must pay large sums for Leothayre's services. For example, Tainers is paying W$120m for the satellites that are being launched on a potentially unreliable rocket. Min-Chieh has effectively lied by omission in this case, leaving a customer in a state of confusion over a material set of facts. That confusion could prove material. It could be argued that Tainers' Finance Director should have sought clarification, but he might not have realised that it was necessary, based on his understanding of the situation.

Min-Chieh is also in breach of the concept of objectivity, which requires her to refrain from permitting conflict of interest to bias her judgement. Tainers' Finance Director appeared to misunderstand the risks but chose to proceed with the contract in any case. The conflict of interest arose from the possibility that clarification could have prompted further negotiation, which might not have been in Leothayre's interest. Min-Chieh should have ignored the possibility of a renegotiation and should have explained the need for additional insurance in a clear and understandable manner. It could be argued that Min-Chieh has a very specific duty to maximise the shareholders' wealth and should have put the shareholders' interests before those of the customer. Such an argument is not applicable to these circumstances, in which a customer is being misled in order to obtain a dishonest advantage for the shareholders.

There is a clear breach of the principle of professional behaviour, in which Min-Chieh should avoid any conduct that would discredit Leothayre's reputation. In the event that there is an uninsured loss, Tainers could lose a great deal. They appear to be paying W$120m/12 = W$10m for each satellite and each rocket will carry three satellites. A single malfunction could cost Tainers W$30m. Leothayre could be seriously discredited and could lose a great deal of business if it is made public that Tainers did not adequately insure against this loss because of a misleading conversation with the Operations Director. Leothayre would probably lose any legal case brought by Tainers, which would further discredit it. The only possible justification is that these adverse consequences will only be suffered if a rocket crashes and Tainers suffers the loss. The principle does not allow for the possibility that a lie might not be discovered.

It could be argued that Tainers' Finance Director is in breach of the principle of professional competence, which would have required him to gather the information required to reach an informed decision. As indicated above, each rocket will carry W$30m of his company's satellites. He should have realised that he needed advice in relation to insuring the risks associated with the launch of these satellites. In the process, he should have made sure that the insurance was being managed by an expert who was fully aware of all relevant factors, including the model of rocket being used for the launch. Any failure on the Finance Director's part would not justify Min-

Cheih's decision to allow him to be misled. His inaction could have been encouraged by her dishonesty.

Requirement 2 – Currency risk

Leothayre faces a transaction risk because it must pay E$24m, on or after the launch of the satellites, which could take 6 months, but might take longer. The uncertain timing of the payment affects the suitability of some of the methods of mitigating currency risks. One possibility would be to enter into an option to exchange currencies at an agreed rate that is fixed for the expected date of the payment. The advantage of an option is that its exercise is at the holder's discretion. It would be possible to allow the option to lapse if the payment is delayed because of issues affecting the launch date. That raises a problem, though. If the option is allowed to lapse because the launch is delayed by, say, a further month, then the transaction risk may remain uncovered. The suitability of an option may depend on the likelihood of that delay. It may be acceptable if there is a remote risk of delay, but not if there is a reasonable likelihood.

As an alternative, Leothayre could place W$12m from Tainers' initial payment in an interest bearing account in an Eastlandian bank. Interest rate paid by banks reflect expected changes in exchange rates, so there is a theoretical argument that Leothayre will receive the same overall rate as it would if the funds were banked in Wexland. This approach will eliminate the transaction risk because the funds will be available to settle the Spaceport's invoice, regardless of when it becomes available. The suitability of this approach is partly dependent on whether Leothayre needs will use the receipt from Tainers for some reason. Committing the money to an interest bearing account might put cash flows under some pressure. There could also be concerns about the safety of funds deposited in an Eastlandian bank. If there is a risk of default, then it would be unacceptable to take the risk.

SECTION 3

Requirement 1 – Governance implications

There is a strong argument that Alex Mhando has exceeded his authority by signing a contract worth a total of W$800m without obtaining the permission of the Board as a whole. The argument that a response was required within an hour and that none of the other Board members was contactable in that timeframe seems unrealistic. If Alex is telling the truth, then he should still have rejected Erthboost's offer unless they agreed to permit him adequate time to discuss their proposal with the rest of the Board. The contract has a further significance because it commits Leothayre to using the Erthboost 20 rocket for a total of 37 launches. Both issues imply a recklessness on his part. It seems unlikely that the CFO would have agreed to this proposal because she seems uncertain about Leothayre's ability to raise the necessary finance. There may also be questions about whether Leothayre needs 37 rockets over the next 2 years. If it does not, then the company will be left with a costly inventory that could take years to consume.

The argument that Alex's action can be justified in terms of the mission, vision and values should be challenged, if only to prevent any further such actions. The mission and vision statements both speak to the need to focus on the creation and operation of space-based facilities, but neither statement would justify the purchase of 30 Erthboost 20 rockets. The new rockets benefit all companies who operate satellites because they reduce the risk of damage caused by space junk, but it does not really matter who uses the rocket. There will be a slight reduction in the release of space junk if the rockets are used by Orbalinc instead of Leothayre. The rocket might also enhance the quality of life on Earth, as considered in the vision statement, but again the benefit is in the reduced emissions from a launch and it makes little difference who launches the rocket. It could be argued that Alex has breached some of Leothayre's values. For example he has not demonstrated fairness and respect in the workplace in his circumvention of normal Board activities.

The Non-Executive Chair should take firm action to prevent a recurrence of this by any other member of the Board. At the very least, he should submit a recommendation to the Remuneration Committee that Alex's behaviour should be reflected in any performance-related bonus to which he will be entitled for this year. He should consider the possibility of asking Alex to resign from Leothayre. It may be that such a response would be viewed as excessive, but the fact remains that none of the other Board members should ever be tempted to take such drastic action without adequate discussion. It should be made clear that there will be consequences for the guilty party in the event of any recurrence.

Requirement 2 – Funding risks

The first risk arises from the need to make an immediate advance payment of 50% or W$400m. If Leothayre cannot finance that payment, then its cash flows are likely to be under extreme pressure. The advance payment will not result in an asset that might be pledged as collateral for a loan. Lenders will have no desire to take possession of Erthboost's commitment to sell 30 rockets to Leothayre. The Chief Finance Officer should review the company PPE and should identify the potential value of any assets that have not already been pledged as security to a potential lender. She should then approach existing lenders with that information and a loan application based on the company's wish to take advantage of a significant

opportunity that requires additional debt finance as a matter of urgency. Existing lenders with whom Leothayre has a positive relationship might be more sympathetic to such an approach. The application should be further supported by a forecast of the expected revenues that will be obtained from the sale of the 30 rockets that will be exclusive to Leothayre.

The initial funding of this venture will have to be debt because of the need for the cash to be raised quickly. Care will have to be taken in deciding whether to borrow at fixed or variable rate. Fixed rate will be less volatile, but Leothayre could be at a disadvantage to rivals with floating rate debt if it locks into a high fixed rate and interest rates fall. Leothayre should study the term structure of interest rates, studying the rates available on loans for different terms. If longer term loans are more expensive, then the market is implying that interest rates are expected to increase and so it should consider taking out a fixed rate loan. There is, however, no guarantee that the forecast will be accurate, so it may be preferable to study the types of debt issued by rivals instead.

Leothayre does not require all of the finance immediately. The remaining 50% will be payable over the next few years, after delivery of the seven rockets from the first batch has been completed. It might make sense to consider a rights issue for at least the remaining W$400m, avoiding the worst of the volatile debt market by issuing equity. It would even be possible to issue more equity to enable the company to repay some of its borrowing. It would normally be unusual to issue equity to fund a 2-year project, but there is no guarantee that the rockets will be sold within 2 years. Any surplus funding could be used to free up further borrowing capacity, which might offer greater flexibility for the future. An equity issue might be popular because the shareholders could be encouraged by the fact that the rockets may have lower operating costs, in addition to making launches more sustainable.

Strategic Level Case Study May 5 – August 2025

Marking Guidance

Variant 1

About this marking scheme

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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**	Develop business strategy	50%
(b)	**B**	Evaluate business ecosystem and business environment	50%
Section 2			
(a)	**C**	Recommend financing strategies	60%
(b)	**D**	Evaluate and mitigate risk	40%
Section 3			
(a)	**D**	Evaluate and mitigate risk	40%
(b)	**E**	Recommend and maintain a sound control environment	60%

SECTION 1			
Task (a) **Evaluate** the possibility that the campaigners' use of social media poses a serious threat to Leothayre.			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies an issue	1-2
	Level 2	Evaluates the issue	3-4
	Level 3	Evaluates the issue with justification	5-6
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies an issue	1-2
	Level 2	Evaluates the issue	3-4
	Level 3	Evaluates the issue with justification	5-6
3rd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies an issue	1
	Level 2	Evaluates the issue	2-3
	Level 3	Evaluates the issue with justification	4-5

Task (b) **Recommend** with reasons how Leothayre should manage the political risk arising from this campaign in the countries from which these satellites are being launched.			
Trait			
1st recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers a suggestion	1-2
	Level 2	Makes a recommendation	3-4
	Level 3	Makes the recommendation with justification	5-6
2nd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers a suggestion	1-2
	Level 2	Makes a recommendation	3-4
	Level 3	Makes the recommendation with justification	5-6
3rd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Offers a suggestion	**1**
	Level 2	Makes a recommendation	**2-3**
	Level 3	Makes the recommendation with justification	**4-5**

SECTION 2			
Task (a) **Evaluate** whether the decrease in Leothayre's market capitalisation is a realistic basis for predicting the loss of business that we will suffer because of this announcement.			
Trait			
1st argument for	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Defines efficient market	1-2
	Level 2	Evaluates an argument for using price movement as forecast	3-4
	Level 3	Evaluates the argument for using price movement as forecast with justification	5-6
2nd argument for	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies an issue for using price movement as forecast	1
	Level 2	Evaluates an argument for using price movement as forecast	2-3
	Level 3	Evaluates the argument for using price movement as forecast with justification	4-5
1st argument against	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies an issue against using price movement as forecast	1
	Level 2	Evaluates an argument against using price movement as forecast	2-3
	Level 3	Evaluates the argument against using price movement as forecast with justification	4-5
2nd argument against	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies an issue against using price movement as forecast	1
	Level 2	Evaluates an argument against using price movement as forecast	2-3
	Level 3	Evaluates the argument against using price movement as forecast with justification	4-5
Task (b) **Evaluate** the argument that the possibility of this campaign by environmental campaigners should have been recognised in the risk register, along with an effective mitigation strategy.			
Trait			
Register	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some argument relating to risk register	1-2
	Level 2	Evaluates an argument for inclusion in register	3-4
	Level 3	Evaluates the argument for inclusion in register with justification	5-6
Mitigation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some argument relating to mitigation	1-2
	Level 2	Evaluates an argument relating to inclusion of mitigation	3-4
	Level 3	Evaluates the argument relating to inclusion of mitigation with justification	5-6

SECTION 3			
Task (a) **Evaluate** the extent to which Leothayre's impact on the environment can be justified in terms of the company's mission and vision.			
Trait			
Mission	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies arguments relating to mission	1-2
	Level 2	Evaluates arguments relating to mission	3-4
	Level 3	Evaluates arguments relating to mission with justification	5-6
Vision	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies arguments relating to vision	1-2
	Level 2	Evaluates arguments relating to vision	3-4
	Level 3	Evaluates arguments relating to vision with justification	5-6
Task (b) **Evaluate** the arguments for and against the appointment of an additional executive director to take responsibility for the sustainability of Leothayre's operations.			
Trait			
Arguments for appointment	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies arguments	1-3
	Level 2	Evaluates arguments	4-7
	Level 3	Evaluates arguments with justification	8-11
Arguments against appointment	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies arguments	1-3
	Level 2	Evaluates arguments	4-7
	Level 3	Evaluates arguments with justification	8-10

Strategic Level Case Study May – August 2025

Marking Guidance

Variant 2

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(b)	**D**	Evaluate and mitigate risk	40%
Section 2			
(a)	**B**	Evaluate business ecosystem and business environment	50%
(b)	**C**	Recommend financing strategies	50%
Section 3			
(a)	**D**	Evaluate and mitigate risk	40%
(b)	**E**	Recommend and maintain a sound control environment	60%

SECTION 1			
Task (a) **Recommend** with reasons the extent to which Alex Mhando and Mark Jones should be made to own the risks associated with signing this contract.			
Trait			
Alex Mhando	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes responsibility	1-3
	Level 2	Recommends the extent of responsibility	4-7
	Level 3	Recommends the extent of responsibility with justification	8-11
Mark Jones	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes responsibility	1-3
	Level 2	Recommends the extent of responsibility	4-7
	Level 3	Recommends the extent of responsibility with justification	8-10
Task (b) **Identify and evaluate** the ethical conflicts faced by both Mark Jones and the client in the negotiation of the contract for this satellite.			
Trait			
Mark's conflict	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies conflict	1-2
	Level 2	Identifies and evaluates conflict	3-4
	Level 3	Identifies and evaluates conflict with justification	5-6
Client's conflict	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies conflict	1-2
	Level 2	Identifies and evaluates conflict	3-4
	Level 3	Identifies and evaluates conflict with justification	5-6

SECTION 2			
Task (a) **Identify and evaluate** the difficulties associated with the analysis of the technological, environmental and legal issues arising from proceeding with a bid for Clondell's contract to build and launch 20 satellites.			
Trait			
Technological	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulties	1-2
	Level 2	Evaluates difficulties	3-4
	Level 3	Evaluates difficulties with justification	5-6
Environmental	**Level**	**Descriptor**	
		No rewardable material	0
	Level 1	Identifies difficulties	1-2
	Level 2	Evaluates difficulties	3-4
	Level 3	Evaluates difficulties with justification	5-6
Legal	**Level**	**Descriptor**	
		No rewardable material	0
	Level 1	Identifies difficulties	1
	Level 2	Evaluates difficulties	2-3
	Level 3	Evaluates difficulties with justification	4-5

Task (b) **Evaluate** the relevance of the increase in satellite builders' share prices for the decision as to whether Leothayre should bid for the Clondell contract.			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes the relevance	1-2
	Level 2	Evaluates the relevance	3-4
	Level 3	Evaluates the relevance with justification	5-6
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes the relevance	1-2
	Level 2	Evaluates the relevance	3-4
	Level 3	Evaluates the relevance with justification	5-6
3rd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes the relevance	1
	Level 2	Evaluates the relevance	2-3
	Level 3	Evaluates the relevance with justification	4-5

SECTION 3			
Task (a) **Evaluate** the arguments for the introduction of a whistleblowing policy at Leothayre.			
Trait			
Arguments for	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes arguments for	1-2
	Level 2	Evaluates arguments for	3-4
	Level 3	Evaluates arguments for with justification	5-6
Arguments against	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes arguments against	1-2
	Level 2	Evaluates arguments against	3-4
	Level 3	Evaluates arguments against with justification	5-6
Task (b) **Recommend** with reasons the work that Rotomyne's Internal Audit Department could undertake to ensure the effective operation of a whistleblowing policy.			
Trait			
1st test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4-5
2nd test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4
3rd test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4
4th test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4

Strategic Level Case Study May – August 2025

Marking Guidance

Variant 3

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How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

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

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

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**A**	Develop business strategy	60%
(b)	**B**	Evaluate business ecosystem and business environment	40%
Section 2			
(a)	**B**	Evaluate business ecosystem and business environment	40%
(b)	**C**	Recommend financing strategies	60%
Section 3			
(a)	**D**	Evaluate and mitigate risk	50%
(b)	**E**	Recommend and maintain a sound control environment	50%

SECTION 1			
Task (a) Using scenario planning thinking, discuss how each of the following possibilities associated with the Clowdcarry contract should be managed.			
Trait			
Launch delays	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes impact	1-2
	Level 2	Evaluates impact	3-5
	Level 3	Evaluates impact with justification	6-7
Gaps in communication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes impact	1-2
	Level 2	Evaluates impact	3-5
	Level 3	Evaluates impact with justification	6-7
Capable staff	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes impact	1-2
	Level 2	Evaluates impact	3-5
	Level 3	Evaluates impact with justification	6-7
Task (b) Recommend responses to the currency transaction risks arising from the launch costs, the receipt from Clowdcarry for the satellites and the monthly fees for the staffing of the ground station, stating reasons.			
Trait			
Launch costs	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Recommends response	2-3
	Level 3	Recommends response with justification	4
Receipt for the satellites	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Recommends response	2-3
	Level 3	Recommends response with justification	4
Monthly fees	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Recommends response	2-3
	Level 3	Recommends response with justification	4

SECTION 2			
Task (a) **Evaluate** the power and interest of both Waskan Aviation and Clowdcarry as stakeholders in Leothayre's decision concerning which contract to accept.			
Trait			
Waskan Aviation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes power and interest	1-2
	Level 2	Evaluates power and interest	3-4
	Level 3	Evaluates power and interest with justification	5-6
Clowdcarry	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes power and interest	1-2
	Level 2	Evaluates power and interest	3-4
	Level 3	Evaluates power and interest with justification	5-6
Task (b) Recommend with reasons how Leothayre should manage the implementation of any decision to suspend dividends for 2 years, assuming that we decide to proceed with Waskan Aviation's W$2,500 million contract.			
Trait			
1st recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1-2
	Level 2	Recommends response	3-5
	Level 3	Recommends response with justification	6-7
2nd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1-2
	Level 2	Recommends response	3-5
	Level 3	Recommends response with justification	6-7
3rd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1-2
	Level 2	Recommends response	3-5
	Level 3	Recommends response with justification	6-7

SECTION 3			
Task (a) Identify and evaluate the risks associated with Leothayre employing staff to work remotely in Clowdcarry's Operations Centre and with the use of Clowdcarry's network to update software.			
Trait			
Employing staff (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risks	1-3
	Level 2	Evaluates risks	4-6
	Level 3	Evaluates risks with justification	7-9
Updating software (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risks	1-2
	Level 2	Evaluates risks	3-5
	Level 3	Evaluates risks with justification	6-8
Task (b) Recommend with reasons the controls that we might put in place to mitigate those risks.			
Trait			
Employing staff (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes controls*	1-3
	Level 2	Recommends controls*	4-6
	Level 3	Recommends controls with justification*	7-9
Updating software (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes controls*	1-2
	Level 2	Recommends controls*	3-5
	Level 3	Recommends controls with justification*	6-8

* Marks should be awarded for the mitigation of risks, regardless of the significance of the risks themselves.

Strategic Level Case Study May – August 2025

Marking Guidance

Variant 4

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-

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**A**	Develop business strategy	60%
(b)	**B**	Evaluate business ecosystem and business environment	40%
Section 2			
(a)	**B**	Evaluate business ecosystem and business environment	40%
(b)	**C**	Recommend financing strategies	60%
Section 3			
(a)	**D**	Evaluate and mitigate risk	50%
(b)	**E**	Recommend and maintain a sound control environment	50%

SECTION 1			
Task (a) **Evaluate** the argument that agreeing to Bulkore Shipping's proposal would indicate that we are pursuing an emergent strategy and recommend with reasons whether an emergent strategy would be suitable for Leothayre.			
Trait			
1st argument (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies argument	1-2
	Level 2	Evaluates argument	3-4
	Level 3	Evaluates argument with justification	5-6
2nd argument (1)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies argument	1
	Level 2	Evaluates argument	2-3
	Level 3	Evaluates argument with justification	4-5
1st recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies suitability	1
	Level 2	Recommendation concerning suitability	2-3
	Level 3	Recommendation concerning suitability with justification	4-5
2nd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies suitability	1
	Level 2	Recommendation concerning suitability	2-3
	Level 3	Recommendation concerning suitability with justification	4-5
Task (b) **Evaluate** the political risks associated with agreeing to Bulkore Shipping's proposal and recommend with reasons how they might be managed.			
Trait			
Risks	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies risks	1-2
	Level 2	Evaluates risks	3-4
	Level 3	Evaluates risks with justification	5-6
Management	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers response	1-2
	Level 2	Recommends realistic response	3-4
	Level 3	Recommends realistic response with justification	5-6

SECTION 2			
Task (a) **Evaluate** Bulkore Shipping's counterproposal in terms of the suitability, acceptability and feasibility (SAF) criteria.			
Trait			
Suitability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies criterion	1
	Level 2	Evaluates criterion	2-3
	Level 3	Evaluates criterion with justification	4
Acceptability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies criterion	1
	Level 2	Evaluates criterion	2-3
	Level 3	Evaluates criterion with justification	4
Feasibility	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies criterion	1
	Level 2	Evaluates criterion	2-3
	Level 3	Evaluates criterion with justification	4
Task (b) **Recommend** with reasons the most suitable method of financing the development, construction and launch costs of W$1,800 million for this project, taking account of the possibility that Leothayre might accept Bulkore Shipping's counteroffer.			
Trait			
1st argument (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers recommendation	1-2
	Level 2	Offers recommendation with reasons	3-5
	Level 3	Offers recommendation with reasons and justification	6-7
2nd argument (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers recommendation	1-2
	Level 2	Offers recommendation with reasons	3-5
	Level 3	Offers recommendation with reasons and justification	6-7
3rd argument (2)	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers recommendation	1-2
	Level 2	Offers recommendation with reasons	3-5
	Level 3	Offers recommendation with reasons and justification	6-7

SECTION 3			
Task (a) **Evaluate** the ethical implications of offering to increase staff salaries in order to persuade operators to accept a dangerous assignment.			
Trait			
1st implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4-5
2nd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4
3rd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4
4th implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4
Task (b) **Recommend** with reasons controls that we could put in place to mitigate the staff safety risks associated with being assigned to Bulkore Shipping's ships.			
Trait			
1st control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control with reasons	2-3
	Level 3	Recommends control with reasons and justification	4-5
2nd control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control with reasons	2-3
	Level 3	Recommends control with reasons and justification	4
3rd control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control with reasons	2-3
	Level 3	Recommends control with reasons and justification	4
4th control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control with reasons	2-3
	Level 3	Recommends control with reasons and justification	4

Strategic Level Case Study May - August 2025

Marking Guidance

Variant 5

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(a)	**A**	Develop business strategy	60%
(b)	**C**	Recommend financing strategies	40%
Section 2			
(a)	**C**	Recommend financing strategies	40%
(b)	**B**	Evaluate business ecosystem and business environment	60%
Section 3			
(a)	**D**	Evaluate and mitigate risk	50%
(b)	**E**	Recommend and maintain a sound control environment	50%

SECTION 1			
Task (a) **Evaluate** whether Leothayre would have the key resources required to make a success of the proposed acquisition.			
Trait			
1st resource	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies resource	1-2
	Level 2	Evaluates resource	3-4
	Level 3	Evaluates resources with justification	5-6
2nd resource	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies resource	1
	Level 2	Evaluates resource	2-3
	Level 3	Evaluates resources with justification	4-5
3rd resource	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies resource	1
	Level 2	Evaluates resource	2-3
	Level 3	Evaluates resources with justification	4-5
4th resource	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies resource	1
	Level 2	Evaluates resource	2-3
	Level 3	Evaluates resources with justification	4-5
Task (b) **Evaluate** the difficulties associated with negotiating the terms for the exchange of shares associated with this acquisition.			
Trait			
1st difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4
2nd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4
3rd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4

SECTION 2			
Task (a) **Apply** the suitability, acceptability and feasibility (SAF) criteria to the acquisition of Orbshoot. Your analysis should take account of the fact that currently there is no full-scale prototype of the Orblifter Return rocket.			
Trait			
Suitability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies criterion	1
	Level 2	Evaluates criterion	2-3
	Level 3	Evaluates criterion with justification	4
Acceptability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies criterion	1
	Level 2	Evaluates criterion	2-3
	Level 3	Evaluates criterion with justification	4
Feasibility	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies criterion	1
	Level 2	Evaluates criterion	2-3
	Level 3	Evaluates criterion with justification	4
Task (b) Using scenario planning thinking and assuming that we proceed with the share exchange, discuss how each of the following possibilities might be addressed after our acquisition.			
Trait			
Cheaper rival	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Discusses scenario	1-2
	Level 2	Addresses scenario	3-5
	Level 3	Addresses scenario with justification	6-7
Rocket explodes	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Discusses scenario	1-2
	Level 2	Addresses scenario	3-5
	Level 3	Addresses scenario with justification	6-7
Reuse restricted	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Discusses scenario	1-2
	Level 2	Addresses scenario	3-5
	Level 3	Addresses scenario with justification	6-7

SECTION 3			
Task (a) **Recommend** with reasons whether Leothayre should refer to the launch of the prototype Orblifter Return in its disclosures relating to intellectual, human and social capitals.			
Trait			
Intellectual	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1-2
	Level 2	Recommends reference	3-4
	Level 3	Recommends reference with justification	5-6
Human	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1-2
	Level 2	Recommends reference	3-4
	Level 3	Recommends reference with justification	5-6
Social	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes capital	1
	Level 2	Recommends reference	2-3
	Level 3	Recommends reference with justification	4-5

Task (b) **Recommend** with reasons whether Orbshoot's directors should be represented on Leothayre's Board, indicating the most sensible form that any such representation should take.			
Trait			
Recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers recommendation	1-2
	Level 2	Offers recommendation with reasons	3-6
	Level 3	Offers recommendation with reasons and justification	7-9
Form	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies form	1-2
	Level 2	Recommends form with reasons	3-6
	Level 3	Recommends form with reasons and justification	7-8

Strategic Level Case Study May – August 2025

Marking Guidance

Variant 6

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- 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**	Develop business strategy	60%
(b)	**B**	Evaluate business ecosystem and business environment	40%
Section 2			
(a)	**D**	Evaluate and mitigate risk	60%
(b)	**B**	Evaluate business ecosystem and business environment	40%
Section 3			
(a)	**E**	Recommend and maintain a sound control environment	50%
(b)	**C**	Recommend financing strategies	50%

SECTION 1			
Task (a) Using scenario planning thinking, evaluate the impacts of the following possibilities associated with our acceptance of Erthboost's proposal and recommend responses, stating reasons.			
Trait			
Production delay	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies impact	1-2
	Level 2	Evaluates impact with responses	3-5
	Level 3	Evaluates impact with responses and justification	6-7
Explosion	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies impact	1-2
	Level 2	Evaluates impact with responses	3-5
	Level 3	Evaluates impact with responses and justification	6-7
Space junk	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies impact	1-2
	Level 2	Evaluates impact with responses	3-5
	Level 3	Evaluates impact with responses and justification	6-7
Task (b) **Evaluate** the power and interest of Leothayre's customers in relation to sustainability issues associated with the use of Erthboost 20 rockets.			
Trait			
Power	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issues	1-2
	Level 2	Evaluates issues	3-4
	Level 3	Evaluates issues with justification	5-6
Interest	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies issues	1-2
	Level 2	Evaluates issues	3-4
	Level 3	Evaluates issues with justification	5-6

SECTION 2			
Task (a) **Evaluate** the ethical implications of the Operations Director's decision not to have a further conversation with Tainers' Finance Director.			
Trait			
1st principle	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies principle	1-2
	Level 2	Evaluates principle	3-4
	Level 3	Evaluates principle with justification	5-6
2nd principle	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies principle	1
	Level 2	Evaluates principle	2-3
	Level 3	Evaluates principle with justification	4-5
3rd principle	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies principle	1
	Level 2	Evaluates principle	2-3
	Level 3	Evaluates principle with justification	4-5
4th principle	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies principle	1
	Level 2	Evaluates principle	2-3
	Level 3	Evaluates principle with justification	4-5
Task (b) **Recommend** with reasons TWO approaches that could be taken to managing the currency risk associated with Leothayre's payment to Eastland Spaceport, discussing the suitability of each.			
Trait			
1st approach	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies approach	1-2
	Level 2	Recommends approach with reasons	3-4
	Level 3	Recommends approach with reasons and suitability	5-6
2nd approach	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies approach	1-2
	Level 2	Recommends approach with reasons	3-4
	Level 3	Recommends approach with reasons and suitability	5-6

SECTION 3			
Task (a) **Evaluate** the governance implications of Alex Mhando's decision to commit Leothayre to this contract.			
Trait			
1st implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies implication	1-2
	Level 2	Evaluates implication	3-4
	Level 3	Evaluates implication with justification	5-6
2nd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies implication	1-2
	Level 2	Evaluates implication	3-4
	Level 3	Evaluates implication with justification	5-6
3rd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4-5

Task (b) **Recommend** with reasons how the risks associated with funding the payment to Erthboost might be managed.			
Trait			
1st management	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1-2
	Level 2	Recommends risk management	3-4
	Level 3	Recommends risk management with justification	5-6
2nd management	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1-2
	Level 2	Recommends risk management	3-4
	Level 3	Recommends risk management with justification	5-6
3rd management	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Recommends risk management	2-3
	Level 3	Recommends risk management with justification	4-5

Strategic Level Case Study – Examiner's report

May – August 2025 exam session

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

General comments

The Strategic Case Study examinations for May and August 2025 were based on a pre-seen scenario which provided information about Leothayre, a quoted company that provides a range of solutions to customers' needs for small satellites.

Small satellites have a wide range of applications, including the facilitation of communications and observation. They can be used in support of a wide range of industries, including shipping and agriculture. Small satellites can often enhance efficiency of operations, thereby improving profits. The satellite is also prone to complaints about sustainability because of the global supply chain in their manufacture and the damage to the environment that is associated with their launch.

A total of six variants were set on Leothayre. The focus for each variant was as follows:

- Variant 1: Leothayre faces criticism because of the environmental impact of the adoption of microsatellite technology for the management of the agricultural industry.
- Variant 2: Leothayre faces governance issues associated with the Marketing Director pressing for design changes that are risky from an engineering perspective.
- Variant 3: Leothayre must deal with the security issues associated with providing a communications network for a major client.
- Variant 4: Leothayre is planning a contract to provide a shipping company with a navigation system, which will require a base station to be built in a foreign country.
- Variant 5: Leothayre is considering working with a launch company that plans to introduce reusable launch vehicles.
- Variant 6: Leothayre is considering the implications of a new launch vehicle that will significantly reduce the amount of debris left in low earth orbit.

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

As always, the key to achieving a passing mark or better is to answer the question as set. Failure to do so is one of the main reasons candidates fail the case study. Read the questions and the scene setting pages carefully before attempting the questions. It is also vital that the candidates understand the pre-seen material. Candidates should apply their judgement to answering the

requirements as fully as possible. Scenario-based questions often allow scope for differences of opinion and markers are instructed to mark different approaches on their merits.

To achieve a level 3 in most traits, it was expected that a candidate would demonstrate good technical understanding of the topic being tested through clear and logical application to the circumstances described in the scenario. It may also help to develop an argument by offering justification for any recommendations made. One way to formulate an answer to a typical requirement would be to imagine it as a task that had been set by a director who was delegating an important task.

Level 1 answers generally demonstrate either poor exam technique or fail to offer a logical response to the circumstances in the scenario (or both). Poor exam technique is generally due to a failure to answer the question. Poor logic generally suggests that the candidate has misunderstood the scenario. For example, the specific issues arising in the case of Leothayre include:

- Satellite technology is constantly changing and so the company must adapt to keep pace with progress.
- The relationships with customers and with launch partners can be complicated.
- The company operates on a global basis, which could create a host of political and economic risks.

While each attribute may not necessarily inform every requirement, level 1 marks tended to be associated with a failure to appreciate the specifics of the business.

Variant 1 comments on performance

Task 1

Leothayre has been criticised by environmental campaigners because of its provision of data to farmers. Leothayre's data enables the farmers to track the development of their crops and to optimise the use of chemicals such as fertilisers and pesticides to encourage growth. The campaigners complain that Leothayre is encouraging the use of chemicals and also the diesel fuel required to apply them, which is unsustainable from an environmental point of view.

The first sub-task asked for an evaluation of the possibility that the campaigners' use of social media poses a threat to Leothayre. Level 3 answers tended to focus on the nature of social media and its suitability for expressing opinions. Answers at this level highlighted the dangers faced by the subjects of social media attacks, including the lack of accountability arising from anonymous posts and the low cost of publicising opinions in this way. Those candidates had clearly considered the problems that social media can create for even large companies. They had also considered the potential impact that such attacks might create. For example, the national press had picked up this particular campaign because of its scale of the social media attack. Level 1 answers tended to describe the potential problems that any criticism might create for Leothayre, regardless of how it is communicated. Such answers tended to avoid any evaluation of the impact of the criticism and so lacked depth.

The second sub-task asked how Leothayre should manage the political risk affecting satellite launches. Level 3 answers picked up key issues arising from the scenario. For example, the countries that host the launch sites do not have agricultural industries that might benefit from the data provided by Leothayre. Also, Leothayre uses third parties to organise and carry out the launches that cause pollution in the host countries. Answers at this level offered credible responses to political risks that were within Leothayre's ability to implement. Level 1 answers tended to offer recommendations that would have had little or no impact on the political risks. For example, encouraging host government to create an agricultural industry seemed like an impractical response to the issues arising from the scenario.

Task 2

Several major food manufacturers have announced that they will stop using ingredients grown on farms that make heavy use of chemicals. That announcement has been linked to a 10% decline in Leothayre's share price.

The first sub-task asked for an evaluation of whether the decrease in the share price is a realistic basis for the prediction of the likely loss of business arising from farms ceasing the purchase of data from Leothayre, in response to the announcement from the food manufacturers. Level 3 answers offered realistic arguments, often rejecting the likelihood of a 10% loss of revenue arising from farmers changing their businesses. Those arguments were well supported by logical explanation of the candidate's assertion. Candidates had clearly thought about the interpretation of share price movements and the implications of a substantial fall in a price that had been set by an efficient market. Level 1 answers were generally illogical, often basing arguments on a misunderstanding of market efficiency or on the implications of a beta coefficient that is greater

than 1.0. Finance theories often require some thought and understanding if they are to be used effectively in addressing a problem.

The second sub-task asked for an evaluation of whether the social media campaign should have been recognised in Leothayre's risk register and whether a mitigation strategy should have been determined. Level 3 answers demonstrated some thought about both issues. A range of different arguments were offered, with each being marked on the basis of its strengths. Some answers at this level suggested that there should have been a generic recognition of environmental protests motivated by any of the services provided by Leothayre. Others focussed on the extent to which this risk was foreseeable and so should have been included. Level 1 answers often consisted of an assertion that was left without any real justification. The Board is unlikely to be satisfied with a statement to the effect that the risk register did or did not require an update, with no explanation as to why that is the candidate's position.

Task 3

The Board is considering its response to the assertion that Leothayre is behaving responsibly in relation to the actions of the customers who manage their operations on the basis of data provided by the company.

The first sub-task asked for an evaluation of the extent to which can justify its operations on the basis of its mission and vision statements. Level 3 answers generally approached the mission and vision separately and evaluated the impact of the data offered to farmers on the basis of each in turn. Approaching each statement separately permitted candidates to structure their arguments clearly, which was particularly helpful when they felt that different responses to each statement was appropriate. Answers at this level offered a clear and logical explanation in support of the candidates' opinions. Level 1 responses often failed to offer any real arguments for or against the justification of Leothayre's business. They often consisted of unsupported assertions.

The second sub-task asked whether Leothayre should appoint an additional executive director to take charge of sustainability. Level 3 answers generally offered a range of logical justifications, both for and against the proposal. Those justifications were often wide-ranging, with several issues being explored in support of each side to the argument. There isn't necessarily a correct response to this matter, but many level 3 answers offered a final conclusion, which pulled together the arguments that had already been offered. Level 1 answers were often limited in terms of discussion, with answers consisting largely of definitions of the differences between executive and non-executive directors.

Variant 2 comments on performance

Task 1

Candidates were first asked to evaluate whether Leothayre would have the key resources needed to make a success of the proposed acquisition. Level 3 responses identified and evaluated appropriate resources such as the expertise to carry out the development; the funding needed for development work, the support of the Orblifter Board and the market presence required to market the new rocket. Candidates presented well-balanced arguments, discussing which resources should be relatively easily available and which might prove problematic.

Level 2 answers were often less well rounded, with candidates taking a position that resources would be available and not really evaluating any potential difficulties.

Level 1 answers sometimes lacked focus, with candidates using the suitability acceptability feasibility model to assess whether or not the proposal should go ahead. These answers did include some relevant material as availability of resources forms part of this model, but they also included material which was not answering the question posed.

The second task asked candidates to evaluate the difficulties associated with negotiating the terms for the exchange of shares associated with the acquisition.

Level 3 responses recognised the complexities arising from Orbshoot's unlisted status, the fact that much of the company's value lies in the intellectual property related to the Orblifter Return and the fact that Orbshoot's founders own all the equity. Arguments were well developed.

Level 2 answers identified fewer issues, often only exploring the difficulty in valuing Orblifter's unlisted shares and agreeing an appropriate exchange rate between the two companies.

Level 1 responses often identified issues but did not provide evaluation.

Task 2

Level 3 responses effectively applied each of the criteria, considering the strategic fit between Leothayre and Orbshoot, the risks of the new project, the likely reaction of Leothayre shareholders and the potential difficulties associated with funding the project given the lack of a working prototype. Answers were well developed and made good use of the scenario presented by the case study.

Level 2 answers considered the three criteria but were often more generic and less detailed. Level 1 answers identified the criteria but did not provide evaluation.

Candidates were next asked to use scenario planning thinking to discuss how each of the following three possibilities might be addressed post-acquisition:

- A rival manufacturer develops a cheaper single use rocket that undercuts the cost of Orblifter Return.
- Orblifter Return enters service, but the first launch is a failure with the rocket exploding.
- Orblifter Return rockets are launched successfully but cannot be refuelled and reused more than twice, reducing cost savings.

Level 3 responses addressed each of the scenarios and provided sensible comments as to how they should be dealt with, such as alternative marketing strategies for the Orblifter Return, using a replaceable payload for the first commercial launch and not pricing launches using the Orblifter Return until it enters service.

Level 2 answers discussed the scenarios but often provided less by way of suggestions for how to address the problems. Level 1 answers discussed the scenarios but did not advise on how they should be addressed.

Task 3

In the final task, candidates were told that initial tests of the prototype Orblifter Return have been successful. Orbshoot's directors have requested that Leothayre does not claim credit for the test launch in the company's report on non-financial capitals.

Level 3 responses presented well-balanced evaluation, discussing each of the three capitals and evaluating what should be disclosed by Leothayre, such as the patents relating to the design in intellectual property, the training of engineers in human capital and the increased range of services offered in social capital.

Level 2 answers were often too focussed on whether or not Leothayre was unfairly claiming credit, rather than considering what the Leothayre Group controls and should disclose. Level 1 answers described the three capitals but did not apply their knowledge to the specific scenario presented by the case study.

Finally, candidates were asked to recommend with reasons whether Orbshoot's directors should be represented on Leothayre's Board, indicating the most sensible form that any such representation should take.

Level 3 answers gave sensible, well-balanced recommendations as to what representation would be appropriate, recognising the advantages and drawbacks of extending Board membership. For example, there is a need to satisfy the Orbshoot directors, but splitting roles between two people could be problematic and too large a board could be unwieldy.

Level 2 answers made some appropriate recommendations, but these were less well justified. Some recommended making the Orbshoot Directors non-executive directors which would not be appropriate as they would not be independent. Level 1 answers often recommended offering directorships to at least some of the Orbshoot Board members but did not consider what form the representation should take.

Variant 3 comments on performance

Task 1

This part of the task was generally well answered by candidates, with most achieving a high level 2 score or above. Candidates who scored well on this task did so because they answered the question that had been asked, i.e. they presented a range of points to discuss the management of these three scenarios should they occur. Weaker answers simply analysed the potential problems associated with each scenario, as opposed to suggesting possible methods to mitigate the problems they identified.

In scenario 1, most answers focused on attempting to extend the deadlines, which although an option, was quite limited and did not consider at all the responsibility of the launch partners and how Leothayre should manage this relationship. In scenario 2, the high scoring candidates discussed the possibility of too few satellites to cover the whole system and the importance of setting out constellation coverage before the contract is signed. In scenario 3, many candidates presented strong answers, with suggestions such as approaching universities and the use of existing Leothayre employees and offering decent remuneration packages to ensure the availability of capable staff.

Weaker level 2 answers were often largely descriptive and/or focused more on analysing the potential problems arising from the scenarios, rather than focusing their answers on managing these. There were very few level 1 answers, but those that were, were often poorly structured. Some level 1 answers failed to answer the question set and instead described the process of scenario planning in general terms, which was not the question asked.

The second task in Section 1 required candidates to recommend responses to the currency transaction risks arising from the launch costs, the receipt from Clowdcarry for the satellites and the monthly fees for the staffing of the ground station, stating reasons.

This section was reasonably well answered, with most candidates demonstrating a sound knowledge and understanding of appropriate methods of reducing the impact of the potential associated currency transaction risks. High level 2 and level 3 answers demonstrated both sound knowledge of currency transaction risks and were also able to determine the most appropriate mitigation for each of the three risks in the task. The highest scoring answers made excellent use of the exhibit information to assist in formulating their answers. The better candidates included the possibility of setting up bank accounts in the relevant countries for netting off and also recognised the low likelihood of demanding payment in the home currency.

Lower level 2 answers tended to generalise rather than tackle the three different elements of the contract payments and income, i.e. they failed to clearly separate out the best methods of dealing with the launch expenses, the main contract sum and the ongoing ground station monthly fees. Level 1 answers were mostly descriptive of transaction, translation and economic risk and therefore failed to answer the question set. Candidates are reminded that few marks are awarded at strategic level for mere knowledge demonstration.

Task 2

The first task asked candidates to evaluate the power and interest of both Waskan Aviation and Clowdcarry as stakeholders in Leothayre's decision concerning which contract to accept.

Few candidates achieved a level 3 answer, largely because there was some confusion in most answers in terms of the power held by Waskan in particular, as many candidates judged this as

high, despite no contract actually being in place. This judgement was made purely on the size of the potential contract. Most answers were purely focused on the value of the project as the main determinant of power and interest, which really did not address the range of potential issues that could influence this decision.

The second task was very well answered overall. Level 3 and high level 2 answers discussed the importance of early communication with the shareholders regarding the suspension of dividend and the future income from the contract. These answers also highlighted the need to go wider than the shareholder in their communication efforts, to include the whole market in their communication strategy. Level 3 answers also made good use of the case material to consider the current and recent dividend payment strategy of Leothayre and the potential stakeholder reaction should this change.

Lower level 2 and level 1 answers were largely theory based, with descriptions of signalling and the clientele effect, which although have some relevance, needed to be directly applied to this case context to be awarded credit. Lower scoring answers often failed to do this.

Task 3

This task was reasonably well answered, with many candidates scoring a high level 2 mark. Most candidates presented a good range of risks relating to managing staff working remotely in a different country, in particular those relating to potential issues with morale, cultural integration and lack of supervision. For the second risk, most candidates scored well on potential issues such as unauthorised access to Leothayne's systems and the subsequent potential loss or corruption of its data. Candidates that scored well on this task did so because they considered a wide range of well applied potential risks.

Lower scoring level 2 and level 1 answers often failed to discuss these risks separately and some failed to discuss the risks of the remotely located staff at all. The task requirement clearly set out two specific risk areas and therefore candidates were expected to consider and discuss these separately.

The second task in Section 3 then asked candidates to recommend with reasons the controls that we might put in place to mitigate these risks.

This task was again reasonably well answered, with most candidates scoring a high level 2. Higher scoring answers were focused directly on mitigating the risks identified in the first part of the task.

Lower level 2 and level 1 answers often presented lists of mitigations which were not explained in the context of the scenario. This is not an appropriate way of answering strategic level questions, as all recommendations made must be fully justified within the case context.

Variant 4 comments on performance

Task 1

The first sub-task asked whether agreeing to the proposal would constitute an emergent strategy for Leothayre and whether it would be desirable for Leothayre to pursue an emergent strategy. Level 3 answers took care to offer an argument in relation to both the classification of the strategy as emergent or otherwise and also to argue for or against the pursuit of an emergent strategy. It did not necessarily matter whether candidates argued for or against in either case, provided the response was relevant. Answers at this level reflected the nature of the business and the implications for its strategic management. Level 1 answers either focussed on defining emergent strategy without actually responding to the question or made an unsupported assertion as to the company's strategy.

The second sub-task asked about the political risks associated with proceeding with this proposal and about the management of those risks. Level 3 answers took care to offer realistic political risks that could affect this venture. A wide range of risks was identified and, at this level, the risks were evaluated in a sensible manner. Similarly, logical suggestions were offered for the management of those risks. Level 1 answers tended to focus on defining political risk or on listing risks with little consideration of their impact. Answers at this level often failed to offer responses to the risks or did so in a manner that was unrealistic.

Task 2

The shipping company has proposed to restructure the financial aspects of this venture. Instead of paying for the satellites and other equipment on delivery, the company wishes to pay an annual fee to Leothayre, effectively leasing the equipment.

The first sub-task asked for an evaluation of the restructured proposal based on the SAF criteria. Level 3 answers tended to offer a balanced evaluation with equal attention paid to each of the three criteria. Answers at this level tended to offer a clear statement as to whether the proposal was consistent and suitable for Leothayre. Answers demonstrated an awareness of the company's position. Level 1 answers tended to avoid the question and often focussed on defining each of the SAF criteria rather than evaluating consistency.

The second sub-task asked for a recommendation for financing the cost of the system that the potential lessee has asked Leothayre to build. Level 3 answers offered a reasoned justification for either debt or equity. Answers at this level generally took account of Leothayre's current financial position and the nature of the assets that are to be financed. The result was a recommendation that would assist the directors to draw a conclusion concerning whether or not to finance the investment in the manner being recommended. Level 1 answers tended to offer a variety of facts relating to debt and equity that were of little direct value in terms of offering a recommendation.

Task 3

The first sub-task asked whether it would be ethical to offer operators higher salaries in return for accepting the physical dangers of kidnapping or shipwreck. Leothayre has already had negative feedback from employees who are reluctant to accept these risks. Level 3 answers offered realistic arguments that were often supported by reference to CIMA's Code of Ethics. Answers at this level focussed on the principles that were relevant, such as integrity. Candidates offered realistic responses, such as ensuring that employees are able to make informed decisions based on all

available information relating to the risks that they will face if they agree to take these jobs. Level 1 answers tended to adopt a less focussed approach, listing all of CIMA's ethical principles and offering weak justification for their relevance.

The second sub-task asked about controls that could be introduced in order to mitigate the safety risks to staff if they are based on these ships. Level 3 answers took a logical approach to minimising the risks of harm occurring either on land or at sea. Candidates had clearly considered the nature of the risks that might occur and provided realistic responses. Level 1 answers often missed the point of the scenario. For example, some answers at this level suggested that ships should not be permitted to take the more dangerous route if Leothayre employees were on board, despite the fact that the employees were in order to make safe transit of that route possible.

Variant 5 comments on performance

Task 1

Candidates were first asked to evaluate whether Leothayre would have the key resources needed to make a success of the proposed acquisition. Level 3 responses identified and evaluated appropriate resources such as the expertise to carry out the development; the funding needed for development work, the support of the Orblifter Board and the market presence required to market the new rocket. Candidates presented well-balanced arguments, discussing which resources should be relatively easily available and which might prove problematic. Level 2 answers were often less well rounded, with candidates taking a position that resources would be available and not really evaluating any potential difficulties. Level 1 answers sometimes lacked focus, with candidates using the suitability acceptability feasibility model to assess whether or not the proposal should go ahead. These answers did include some relevant material as availability of resources forms part of this model, but they also included material which was not answering the question posed.

The second task asked candidates to evaluate the difficulties associated with negotiating the terms for the exchange of shares associated with the acquisition.

Level 3 responses recognised the complexities arising from Orbshoot's unlisted status, the fact that much of the company's value lies in the intellectual property related to the Orblifter Return and the fact that Orbshoot's founders own all the equity. Arguments were well developed.

Level 2 answers identified fewer issues, often only exploring the difficulty in valuing Orblifter's unlisted shares and agreeing an appropriate exchange rate between the two companies.

Level 1 responses often identified issues but did not provide evaluation.

Task 2

The Technology Director has met with Orbshoot's research staff to discuss the Orblifter Return and gather information. The research staff are confident that a prototype will work, based on computer simulations and small-scale models, but it will not be possible to build a prototype until the Leothayre deal is completed. Candidates were asked to apply the suitability, acceptability and feasibility criteria to the acquisition, taking account of the fact that there is no full-scale prototype yet.

Level 3 responses effectively applied each of the criteria, considering the strategic fit between Leothayre and Orbshoot, the risks of the new project, the likely reaction of Leothayre shareholders and the potential difficulties associated with funding the project given the lack of a working prototype. Answers were well developed and made good use of the scenario presented by the case study. Level 2 answers considered the three criteria but were often more generic and less detailed. Level 1 answers identified the criteria but did not provide evaluation.

In the second task, level 3 responses addressed each of the scenarios and provided sensible comments as to how they should be dealt with, such as alternative marketing strategies for the Orblifter Return, using a replaceable payload for the first commercial launch and not pricing launches using the Orblifter Return until it enters service. Level 2 answers discussed the scenarios

but often provided less by way of suggestions for how to address the problems level 1 answers discussed the scenarios but did not advise on how they should be addressed.

Task 3

In the final task, Level 3 responses presented well-balanced evaluation, discussing each of the three capitals and evaluating what should be disclosed by Leothayre, such as the patents relating to the design in intellectual property, the training of engineers in human capital and the increased range of services offered in social capital. Level 2 answers were often too focussed on whether or not Leothayre was unfairly claiming credit, rather than considering what the Leothayre Group controls and should disclose. Level 1 answers described the three capitals but did not apply their knowledge to the specific scenario presented by the case study.

Finally, candidates were asked to recommend with reasons whether Orbshoot's directors should be represented on Leothayre's Board, indicating the most sensible form that any such representation should take.

Level 3 answers gave sensible, well-balanced recommendations as to what representation would be appropriate, recognising the advantages and drawbacks of extending Board membership. For example, there is a need to satisfy the Orbshoot directors, but splitting roles between two people could be problematic and too large a board could be unwieldy. Level 2 answers made some appropriate recommendations, but these were less well justified. Some recommended making the Orbshoot Directors non-executive directors which would not be appropriate as they would not be independent. Level 1 answers often recommended offering directorships to at least some of the Orbshoot Board members but did not consider what form the representation should take.

Variant 6 comments on performance

Task 1

In this task, level 3 responses took each of these scenarios in turn to outline the impact and risks to Leothayre and their customers, making good assessments of the wider scope of the scenario. Level 3 candidates tended to put both a mitigation plan for possible avoidance of the issues presented with a communications and actions plan to deal with any actual issues which arose.

Level 2 candidates focussed more on the immediate impact on Leothayre and more particularly on short-term impact and recovery. More tactical than strategic thinking was demonstrated in these answers. Level 1 answers tended to miss many of the impacts and scope for managing these.

In the second part, candidates were asked to evaluate the power and interest of Leothayre's customers in relation to sustainability issues associated with the use of Erthboost 20 rockets

Level 3 candidates identified that while customers' primary objective was to have their satellites successfully placed in orbit, they have the capability to choose which supplier they partner with to achieve this aim. Good candidates differentiated customer types into those driven by economic factors and those with more reputational or strategic compliance views to be met. Commercial customers are more likely to choose on economic grounds, whereas government or national standing organisations have a strong need to be partnering at a strategic level. Level 2 and Level 1 answers tended to give a much lighter appraisal, often taking only one viewpoint.

Task 2

In this task, level 3 candidates were very good at identifying the reasons how and why the different principles of ethics had been breached. Each was outlined with the breach explained and probable outcomes detailed. Good candidates went on to describe the action that should have been taken, or that should now ensue to avoid or repair these breaches. Level 3 candidates used all the facts from the scenario to demonstrate their awareness of the ethical principles involved. Level 2 and level 1 candidates tended to simply list the principles with little analysis of what should have been done or indeed of the implications of issues resulting from the breach in the first place.

Candidates were then asked to recommend with reasons two approaches that could be taken to managing the currency risk associated with Leothayre's payment to Eastland Spaceport, discussing the suitability of each.

Level 3 responses quickly outlined and summarised the facts given in the scenario and used this to explain the possible outcomes highlighting the uncertainty caused by the possible delays in the timing of the trigger events in the future. They then went on to give good methods of dealing with these facts. Only two approaches were required and most identified a suitable option with benefits and drawbacks or using a deposit in a bank bearing interest to offset any currency movement with benefits and possible drawbacks.

This was well answered on the whole, with differentiation between candidates at level 2 and 3 being on the depth of detail given to show awareness of benefits and possible drawbacks. Level 1 tended to be very weak on this giving a random list of instruments without much appraisal.

Task 3

In this task, level 3 candidates applied the details provided from the scenario to demonstrate knowledge of governance requirements. Good candidates firstly dealt with identifying implications from Alex's individual actions as a director, highlighting how he had exceeded his authority and breached professional ethics required of him as a Board member. Good candidates discussed whether application of Leothayre's mission, vision and values statements could exonerate his actions.

Level 3 candidates also highlighted the shortfall in Leothayre's governance process which had allowed this to happen in the first instance. Surprisingly few candidates went on to suggest subsequent actions either against Alex, or indeed about changes on Board governance process which must be followed up to prevent any such action from happening again. Only a few suggested immediate or partial suspension while investigations were carried out with a possible request for resignation as a consequence, or even of appropriate awareness training for all Board and senior management positions. Level 2 and level 1 answers did not really consider the implications from the scenario, understating the gravity of the matter and failing to recognise any real shortfall in Board governance process.

Finally, candidates were asked to recommend with reasons how the risks associated with funding the immediate payment of W$400M to Erthboost might be managed given that current interest rates were volatile. Level 3 responses quickly identified the risks that were presented in the scenario, and these were immediate payment being required and a lack of assets from the deal against which to secure loans.

Level 3 candidates generally discussed an appropriate mid-term solution via a rights issue to increase equity to cover the latter part of the initial payment period and fund the secondary payments due with the realisation of significant business growth and better efficiencies in operations cost due to the venture coming to fruition. Level 2 and level 1 candidates were less aware of the difficulties and much more simplistic in the solutions they offered.