

May and August 2025  
Management Case Study  
CGMA Professional Qualification  
Full post exam support materials

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

**Pre-seen material**

May and August 2025 Management 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](#).

## **Management Case Study Examination**

**May 2025 – August 2025**

**Pre-seen material**



### **Context Statement**

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

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

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## Introduction

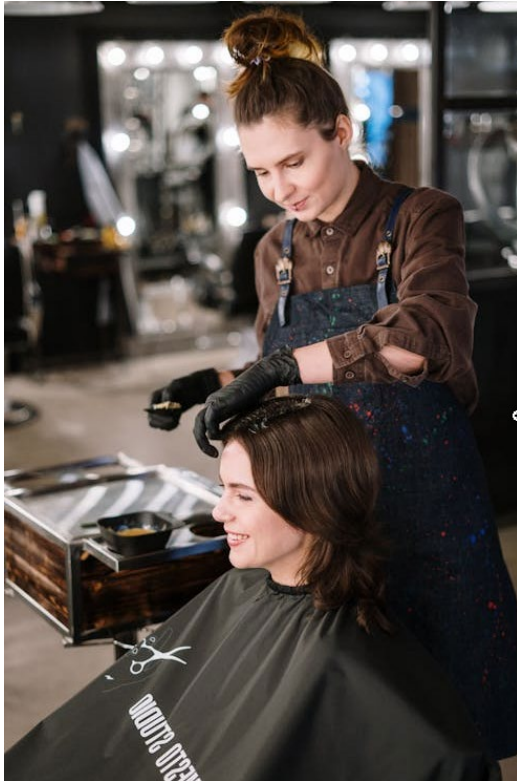
Trimayr franchises hairdressing salons throughout Dazzland, its home country. It also owns a small number of salons.

Dazzland’s currency is the D\$. Dazzlandian company law requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

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

## Hairdressing

There are 52,000 hairdressing salons (including barber shops) in Dazzland. Most of these operate independently as small businesses, with 80% employing fewer than 10 staff in single salons. There are some larger businesses that own and operate two or more salons, but these are generally local businesses that have branches in a single city or in adjacent towns. There are six nationwide chains, two of which own and operate chains of salons and four that operate on a franchised basis.



Hairdressing salons generally provide a range of services:

### Cutting and Styling

- Haircuts for both men and women. Customers may request simple trims or elaborate styles.
- Customers may wish to have their hair washed and blow-dried. Blow-drying can temporarily straighten or curl the customer's hair. Customers may have their hair styled professionally in preparation for a special occasion.

### Colouring and Highlights

- Hair colouring services include full colour changes, root touch-ups (to deal with the customer's hair growing out in its natural colour) and highlights (streaks of colour).

### Chemical Treatments

- Hair can be permed to create long-lasting curls or waves. These effects are lost when the customer's hair grows out.
- Straightening uses a chemical treatment to make hair smoother and straighter.





- Relaxing uses chemicals to soften curled hair.

#### Hair and Scalp Treatments

- Various conditioning treatments can be used to improve hair health.
- Some salons offer scalp massages and treatments to promote circulation and relaxation.

#### Beard and Moustache Shaping

- Many salons provide grooming services for facial hair.



Salons often stock haircare products for retail sale to customers. These include:

- Shampoo
- Conditioner
- Hairspray
- Styling gels and mousses

The haircare products sold by salons are usually brands that are not available from supermarkets and other retail outlets. They are supplied by manufacturers who specialise in supplying professional hairdressers. Salons promote these products to their customers as being superior to supermarket brands on the basis of the excellent results obtained by the salon when washing, conditioning or styling hair.



Salons benefit from the fact that customers' hair must be cut regularly, otherwise it becomes untidy. Customers with dyed or permed hair must also repeat those treatments or their hair grows out to its natural colour or texture, which starts to become noticeable unless the new growth is dyed or permed to match.

Customers are often loyal to specific salons. Many prefer to have their hair cut or treated by the same hairdressers, whom they know and trust.

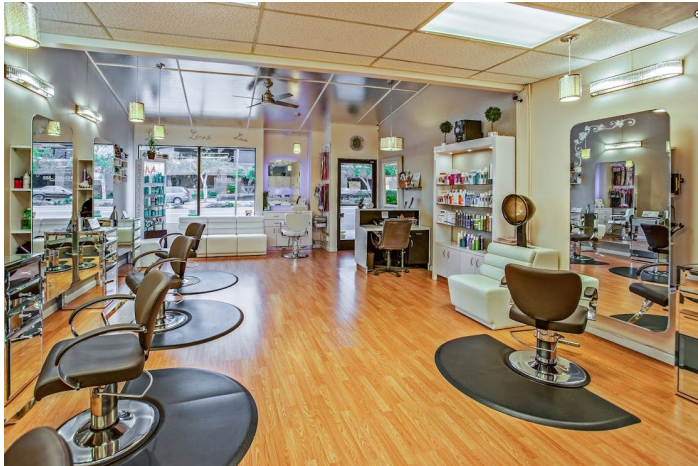
Most salons welcome both male and female customers, despite the fact that women's hairstyles usually take longer to cut, style and treat than men's. That is generally reflected in separate price lists for men and women, with women being charged more than men for comparable services.

#### *Market segments*

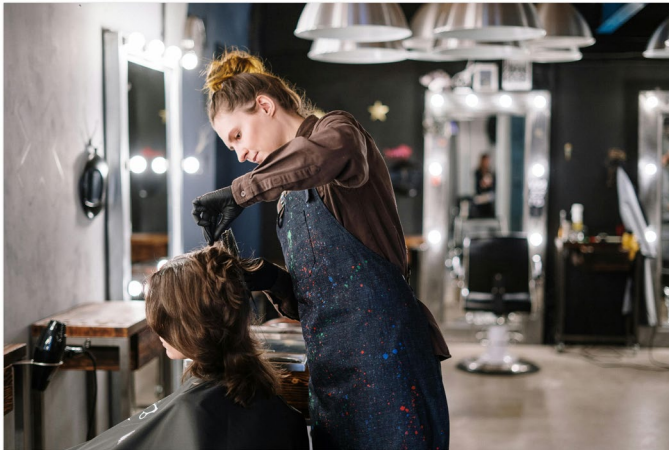
Hairdressing salons vary significantly in terms of the services that they provide and the pricing of those services. Some salons aim to attract an upmarket clientele and so they operate from more attractive premises and employ better trained and more experienced hairdressers.

Upmarket salons attract customers who are prepared to pay more for basic services such as cutting and styling. Those customers are also generally more likely to buy additional services such as colouring and chemical treatments.

These salons are often located in upmarket retail spaces, such as city centres and exclusive shopping malls.



Midmarket salons aim to provide good quality at a reasonable price. Their interiors are attractive but may be less lavish than those of upmarket salons. Prices will generally be lower than those charged by upmarket competitors, but they will not be cheap. Midmarket salons may be located in town and city centres, where they aim to attract office workers and shoppers.





Downmarket salons are more basic than midmarket. They aim to undercut midmarket salons on price. Salons serving this market may offer fewer services or use cheaper products for dyeing or chemical treatments. Their premises are likely to be less attractive than those of more upmarket rivals and have less desirable locations.





### *Hairdressers*

In theory, it is possible to start work as a hairdresser in Dazzland without any specific training or qualifications. It would, however, be reckless to employ an unqualified hairdresser.

<p>Skills and knowledge</p> 	<p>Cutting and styling hair requires the ability to create a hairstyle that has a defined shape that suits the customer. Hairdressers must be able to advise customers on styles that are flattering and that allow for the texture of their hair. Even a simple trim or blow dry requires a great deal of skill that can only be obtained from training.</p> <p>Hair treatments such as dyes or the solutions used for perms and other chemical treatments require training in order to use them properly. Hairdressers must know which specific products are suitable for a customer's needs. There can also be problems when different treatments are combined, such as dyeing permed hair. Hairdressers must be able to apply treatments so that they achieve the desired effect without damaging the customer's hair.</p>
<p>Health and safety</p> 	<p>Hairdressers work with sharp instruments such as scissors and razors. Experienced hairdressers can do so without injuring themselves or their customers.</p> <p>Hairdressers apply dyes and other treatments that could be harmful to customers if used incorrectly. There could be chemical reactions if incompatible products are combined, perhaps by dyeing and straightening hair, using products that should not be mixed. Some products give off fumes that can be dangerous if used without adequate ventilation.</p> <p>Hairdressers may work with popular hair treatments frequently and on a daily basis. That constant exposure could be potentially harmful over time, even if there is little or no risk to customers. For example, constant exposure to soapy water when shampooing customers' hair could cause dry and cracked skin on a hairdressers' hands.</p>

There are two main routes into a career as a hairdresser:

<p>College</p> 	<p>Many further education colleges offer hairdressing courses. These usually take 2 years to complete.</p> <p>The courses are largely classroom based, with periods of practical experience at local hairdressing salons.</p> <p>Courses cover:</p> <ul style="list-style-type: none"> <li>• Cutting and styling hair</li> <li>• Colouring and treating hair</li> <li>• Advising customers</li> <li>• Business skills and knowledge</li> </ul>
<p>Apprenticeship</p> 	<p>Apprenticeships offer an alternative means of obtaining the skills and knowledge required to qualify as a hairdresser. Hairdressing apprentices are full-time employees of salons, working under the supervision of experienced hairdressers.</p> <p>Apprentices will be expected to perform basic tasks, such as sweeping up hair clippings, answering the phone and maintaining the customer appointment book. They will also learn hairdressing skills, starting with washing customers' hair and progressing to cutting, styling and treating hair.</p> <p>Apprenticeships last 2 years. By the end of that time, apprentices can expect to have been trained in all the skills expected of a qualified hairdresser.</p> <p>Apprentices are paid throughout their training, although their salaries will generally reflect the fact that they will be performing menial tasks for much of their time and are receiving valuable training.</p>

Large hairdressing salons, particularly those that operate in the upmarket segment, often require their hairdressers to participate in ongoing professional training. These ensure that hairdressers know how to style hair in the latest fashions and can use the latest treatments effectively. Smaller salons may rely on hairdressers keeping up to date by reading about the latest fashions and other developments in trade magazines.

### *Independent salons and chains*

Most of Dazzland's hairdressing salons operate as independent businesses, but there are a few hairdressing chains. Most of these chains are relatively small businesses that consist of up to five salons, all of which operate in the same town or city. There are six nationwide chains, two of which own and operate chains of salons and four that operate on a franchised basis.





The large chains benefit from being able to develop a strong brand identity. They can afford to invest heavily in advertising. They also promote themselves through other media. For example, hairdressers employed by large chains may appear as guests in the hair and beauty segments that feature regularly in daytime television shows. They are also often quoted in lifestyle magazines, offering hints and tips on hair care and opinions on the latest fashion trends.

Each of the large chains aims for a specific market segment, generally either midmarket or upmarket in terms of price and quality of service. Midmarket salons attract customers who are prepared to pay a moderate premium to have their hair styled and treated in an attractive manner. Upmarket salons attract customers who are prepared to spend significant amounts on their appearance.

### *Franchises*

Franchise arrangements permit franchisees to operate using the branding and other intellectual property of their franchiser. From the customer's perspective, it will appear that they are being served by a branch of a large chain of hairdressing salons. For example, the salon's internal and external signage and decor, its staff uniforms and all brochures and pamphlets will show the franchiser's logo and brand name.

Franchisees are subject to the following terms:

- Franchisees must agree to pay an initial fee and ongoing royalties to the franchiser for the term of the franchise.
- The franchiser will insist on conducting visits and inspections to ensure that the franchisee is conforming to the standards associated with the brand.
- Franchisers insist on the use of approved suppliers of goods and services. Franchisees will have to purchase hairdressing products such as shampoos, conditioners and other hair treatments from a designated supplier. They will also be required to use approved suppliers for other categories of purchase, such as salon furniture and fittings, cleaning products and stationery. Franchisers may also provide approved lists of service providers, including accounting firms, plumbers and electricians.
- Goods for resale, such as shampoos and hairsprays, will usually be restricted to the franchiser's preferred brands. Those items may be packaged with the franchiser's own branding.
- Franchisees will be free to conduct the remaining aspects of their businesses as they see fit. These include:
  - Staffing – salons are free to hire their own staff and to set their own rates of pay and other terms of employment.
  - Location – franchisees can lease or buy the premises of their choosing, subject to inspections and final approval by the franchiser.
  - Pricing – franchisees can set their own prices for the services they provide, taking account of local conditions.

Franchisers provide training for franchisees. This training covers the management skills required to operate the franchise efficiently and to maximise revenues.

Franchisers usually insist that each franchised salon is managed on a day-to-day basis by an experienced hairdresser. Franchisees need not take an active part in the daily running of their salons and so they need not necessarily be hairdressers. Franchisees who are not hairdressers must restrict themselves to administrative duties in their salons or, regardless of qualification, they may leave them entirely under the control of hairdressers whom they employ as managers.

### *Nationwide hairdressing businesses*




There are six national chains of hairdressing salons in Dazzland.

	Number of salons
<b>Two traditional chains (owned and operated)</b>	
<b>Omega &amp; Troon</b> owns and operates a chain of upmarket hairdressing salons. These have a reputation for being innovative and expensive. The company's client list includes many celebrities.	350 upmarket salons
<b>Martha &amp; Mike</b> owns and operates its own salons, most of which are located in city centres and shopping malls. It has a reputation for providing good service at a reasonable price. Many of its customers are office workers and young professionals.	440 midmarket salons
<b>Four franchised chains</b>	
<p><b>Trimayr</b> used to own and operate all of its own salons. It is now primarily a franchised chain but continues to own and operate a few of its own salons.</p> <p>Trimayr operates under two brands: Trimayr Sheen is an upmarket brand. Styling and treatment from a Trimayr Sheen salon costs more than from most rival salons. Trimayr Pop is midmarket. Its prices are lower than those of Trimayr Sheen and are comparable to those of rival midmarket chains.</p> <p>Both brands aim to attract a wide range of customers from across their respective market segments. The salons are designed to appeal to as many potential customers as possible. They are decorated in an attractive manner, in neutral tones.</p>	<p>40 Trimayr Pop midmarket salons – owned and operated by the company</p> <p>380 Trimayr Pop midmarket franchises</p> <p>140 Trimayr Sheen upmarket franchises</p>
<b>Fox &amp; Tiffin</b> franchises midmarket salons. The company aims to attract younger customers, in their teens and twenties. Its salons have vibrant décor and there is always lively music playing in the background.	400 midmarket salons
<b>Norman &amp; May</b> franchises midmarket salons that aim to attract affluent customers. Norman & May salons price their services at the top	450 midmarket salons

end of the midmarket niche, while remaining cheaper than upmarket rivals.	
<b>Pallo &amp; Troo</b> franchises midmarket salons that aim for the affordable end of that market segment. Salons are located in city centres and other spaces, such as stores within stores hosted by large supermarkets.	550 midmarket salons

Salons owned and franchised by the six national chains are spread across Dazzland. Individual chain salons compete with one another in specific locations, such as a particular city's principal shopping street. Individual chain salons also compete with independent salons within a specific area. For example, there are six upmarket salons in Capital City's prestigious Bartimer Street: an Omega and Troon, a Trimayr Sheen and four independent salons.

The nationwide chains have their own training colleges. These have a number of roles:

<b>Franchisee training</b> 	<p>The franchised chains require newly-appointed franchisees to complete training courses that focus on the issues associated with running a salon. Courses cover:</p> <ul style="list-style-type: none"> <li>• the chain's brand and its associated approach to hair styling and treatment.</li> <li>• the business skills required to run an efficient and profitable salon.</li> <li>• the administrative rules relating to salon operations and reporting.</li> </ul>
<b>Training experienced hairdressers</b> 	<p>All chains require salon staff to participate in regular training in the latest hair styling techniques and treatments. Training can be delivered through a combination of in-person courses and online materials.</p> <p>Chains also use their colleges to provide induction training to hairdressers who have been appointed to their salons. These courses focus on the company's approach to customer service and on the qualities of the products used in salons and sold to customers.</p>
<b>Apprentice training</b> 	<p>The chains provide apprentices with college training to supplement the practical experience that they gain while working in salons. Apprentices follow an integrated programme of work experience in their salons combined with college instruction.</p> <p>Chains invest heavily in providing apprentices with high-quality training and education. The intention is to attract ambitious young people into their apprenticeship programmes and to retain their skills once they are qualified.</p>

## Trimayr

Magda Trimayr started as an apprentice hairdresser in Dazzland's Capital City in the 1960s. She opened her first salon in 1974. She quickly established herself through the creation of innovative new styles that found favour with celebrities. Her latest designs started to become newsworthy, with newspapers and magazines publishing articles about the impact that she was having on the Dazzlandian fashion scene.

Magda proved to be a capable businessperson. She capitalised on her fame to open upmarket salons in several of Dazzland's major cities.

In 1986, Magda opened her first midmarket salon, under the Trimayr Pop brand name. By then, there were 70 upmarket salons which were rebranded Trimayr Sheen.

Trimayr was listed on the Dazzlandian stock exchange in 2003. By then, Magda had retired from the business. She subsequently sold her shares and no longer has any active interest in the company.

In 2005, Trimayr's Board decided to shift the company's focus from owning and operating all of its salons to a mainly franchised operation. By that stage, the company had 75 Trimayr Sheen salons and 115 Trimayr Pop salons, giving it a strong presence in both the upmarket and midmarket niches. The company has gradually disposed of most of its salons, either closing them altogether or transferring them to franchisees in return for a fee. The company now owns and operates 40 Trimayr Pop salons. There are also 380 franchised Trimayr Pop salons and 140 franchised Trimayr Sheen salons.



Trimayr's policy has always been to lease salon premises. It advises franchisees to do the same. Salon interiors must be decorated and organised in accordance with the company's style guide, which specifies everything from floor and wall coverings to the furnishings, including chairs and sinks. Designing and fitting a new salon in accordance with the style guide requires professional advice to ensure that each individual salon operates efficiently and is an attractive space for customers, while ensuring that all salons comply with the style requirements of their respective brands.

## Salons

Each franchised salon has a principal who is effectively the owner of the business. The Salon Principal need not be qualified in hairdressing and need not work full time in the salon. Indeed, some principals own more than one Trimayr salon. Trimayr holds the Principal accountable for the operation of the salon. Any customer complaints will be addressed to the Principal. Salons are equipped with electronic point-of-sale equipment that provides principals with daily reports on revenue from styling, treatments and retail sales of haircare products. These reports are automatically uploaded to Trimayr's head office.

Trimayr tracks the following key performance indicators for each salon:

- Average spend per customer visit
- Number of new customers
- Existing customer retention rate
- Average waiting time per customer visit
- Average service time per customer visit
- Staff turnover



- Revenue per square metre

Each salon has an electronic point-of-sale system that tracks individual customer visits in terms of time spent waiting for service and the time taken to serve them once they have been seated in the hairdresser's chair. The system also records sales of services and products during each visit. Data from this system is transmitted to Trimayr's head office on a daily basis.

The company provides feedback to principals on their performance at the end of each month. Satisfied customers are loyal to their favourite salons and will often spend more during each visit. Trimayr receives royalties based on revenues from hairdressing from each salon and so both the company and its principals have a direct interest in customer satisfaction and in sales.

Trimayr has a business intelligence system (BIS) that it uses to supplement routine rankings of key performance indicators. The BIS enables managers at Trimayr's head office to create additional reports, incorporating both structured and unstructured data that have not necessarily been gathered for any specific reason.

Franchise agreements are subject to renewal at 5-year intervals. Renewal is at the discretion of both Trimayr and its principals. The vast majority of franchises are renewed, but salons that underperform in terms of these performance indicators are at risk of being denied permission to renew.

### Trimayr's head office

Trimayr's head office is located in the fashion district of Dazzland's Capital City. It acts as the base for several functions:

Franchise Recruitment	<p>Trimayr competes directly with Fox &amp; Tiffin, Norman &amp; May and Pallo &amp; Troo in relation to the recruitment of potential franchisees. Every new salon franchised by a rival is a lost opportunity for Trimayr. Franchise Recruitment seeks to prevent this by engaging new franchisees.</p> <p>Franchise Recruitment staff attend many hairdressing industry exhibitions and functions and seek to encourage attendees to consider the benefits of franchising with Trimayr. They also follow up on leads generated by a section of the company's website that promotes the benefits of franchising.</p> <p>Franchise Recruitment staff are responsible for evaluating potential franchisees to ensure that they meet the selection criteria. They assist with the application process and support principals in establishing their salons in accordance with Trimayr requirements.</p>
Franchise Management	<p>Franchise Management aims to encourage and support franchisees once their Trimayr salons have commenced operation.</p> <p>Franchise Management reviews each salon's key performance indicators on a monthly basis. Salon principals are informed of their rankings relative to other Trimayr Sheen or Trimayr Pop salons. The potential implications of any movements are described.</p> <p>If any salon's performance deteriorates significantly, then Franchise Management will work with the principal to develop a plan to address the matter. The department also conducts regular visits to inspect premises</p>

	<p>and interview salon staff. Any shortcomings identified during such visits must be rectified.</p> <p>Franchise Management uses salon data to calculate the monthly royalties that are payable to Trimayr.</p> <p>The department is also responsible for the review of salons that have reached the end of their 5-year franchise. It bases its recommendations on recent salon performance and findings from inspections.</p> <p>Franchise Management is also responsible for the management of the 40 salons that are owned and operated by Trimayr.</p>
Hair Technology	<p>Hair Technology focusses on the creation of new hairstyles and also the evaluation of products that can be used in the treatment and care of hair.</p> <p>Hair Technology has a team of experienced and expert hairdressers who seek to ensure that Trimayr's brands are recognised as leading fashion innovators. The team aims to invent new styles that can be promoted through the media. Hair Technology also works with third parties such as clothing designers and stylists employed in the entertainment industry to ensure that its hairstyles complement trends in those industries.</p> <p>Salon customers are often willing to pay extra to have the latest hairstyles. Customer loyalty can also be encouraged by positive publicity arising from the fact that Trimayr's salons are at the forefront of new trends.</p> <p>Hair Technology also evaluates new products either for use in salons or for sale to customers. Manufacturers often seek to interest Trimayr in new products that are under development. Trimayr often seeks exclusivity on promising products, selling them under its own brand.</p> <p>Hairdressers from Hair Technology frequently appear on television and on social media to discuss the latest trends in hairstyles and hair care. They are also frequently quoted in newspapers and magazines or are commissioned to write articles.</p>
Marketing	<p>Marketing is responsible for the promotion of both Trimayr brands. Its responsibilities include advertising and the maintenance of the company's website.</p>
Administration	<p>Overall management of operations, including human resources, information systems and legal.</p>
Finance	<p>Internal and external accounting and financial management.</p>

### Trimayr Academy

Trimayr Academy was established by Magda Trimayr in 1998. Initially, it was used to train Trimayr's apprentices in basic hairdressing skills and to educate newly-appointed hairdressers in Trimayr's approach to customer care. The Academy continues to train apprentices and qualified hairdressers, including those employed by Trimayr franchises. That role has been expanded to include continuing professional development for hairdressers, including training on the new styles that are being developed by Hair Technology.

Hairdressing training is provided by experienced hairdressers who are seconded to the Academy from their salons. Secondments last for 1 year, ensuring that there is a steady turnover in the hairdressing teaching staff. A secondment to the Academy is regarded as

prestigious and many salon principals previously taught at the Academy before deciding to open their own Trimayr salons.

Trainees are provided with classroom training on styling techniques and the use of products. They also have the opportunity to practise hairstyling and hair treatment on volunteers, most of whom live close to the Academy. Volunteers are not charged for their treatment. Apprentices are closely supervised while working on these volunteers.

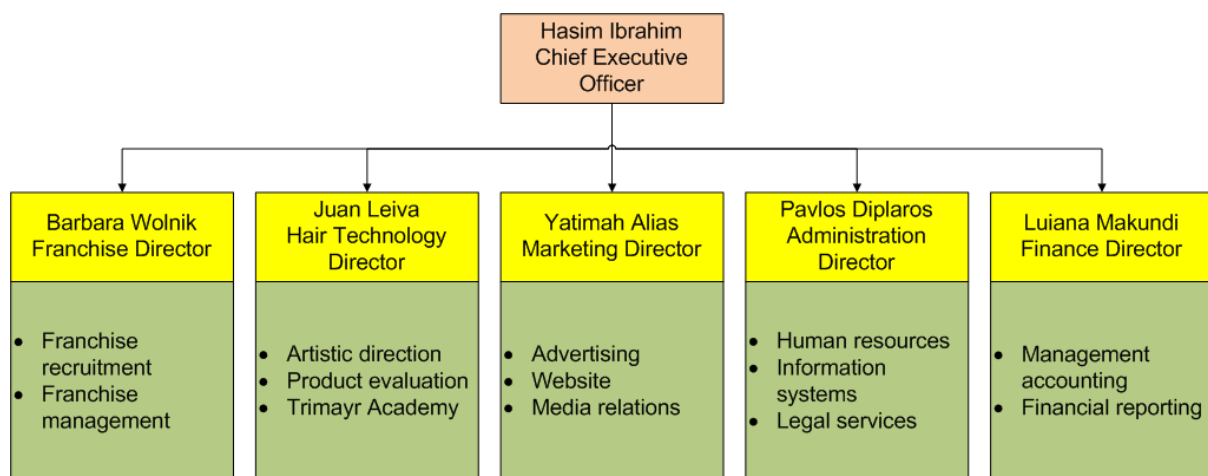
The Academy also provides training for salon principals in the skills required for the operation of successful franchises. There is a compulsory induction course that is offered several times each year. Applicants for franchises must complete that course before their salons can do business under the Trimayr brand. There is also ongoing training for principals, both classroom based and online.

Business skills are taught by permanent teaching staff who have backgrounds in relevant subjects such as accountancy, human resources and marketing.

The Academy's Head of School is Fiona Regan. She joined Trimayr as an apprentice hairdresser in the late 1980s. She worked under the direct supervision of Magda Trimayr at the company's largest salon before the adoption of the franchise approach to business. Fiona was regarded as one of Trimayr's most innovative hairdressers before the Academy was founded in 1998. She has served as Head of School since then.

The Academy is located on the edge of Capital City.

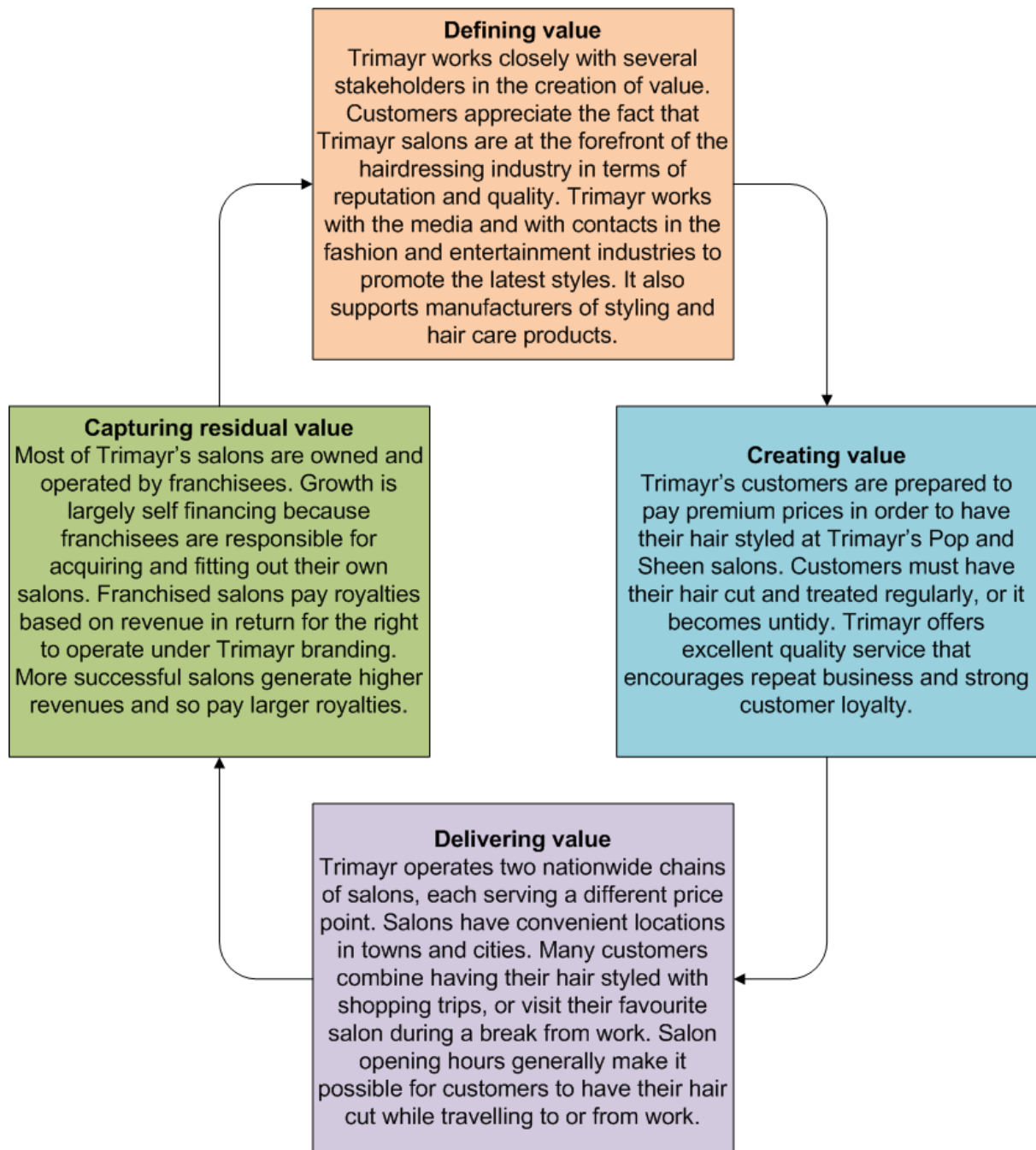
### Trimayr's Board structure



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

- Thomas Murray – Non-Executive Chair
- Sabrina Lomax
- Ram Pandit
- Ruth Moka
- Raimo Hakola

## Trimayr's business model



Extracts from Trimayr's annual report

**Trimayr Group**

**Consolidated statement of profit or loss**

**For the year ended 31 December**

	<b>2024</b>	<b>2023</b>
	<b>D\$ million</b>	<b>D\$ million</b>
Revenues		
Franchise royalties	113.1	102.9
Product sales to franchisees	52.3	45.5
Training franchisee employees and principals	9.4	7.9
Company-owned salon revenue	62.4	59.9
	<u>237.2</u>	<u>216.2</u>
Operating costs		
Cost of product sales to franchisees	(32.4)	(29.5)
Cost of operating company-owned salons	(38.1)	(36.2)
Cost of training franchisee employees and principals	(7.2)	(6.2)
Marketing	(26.8)	(26.3)
Administration	(58.6)	(56.3)
	<u>(163.1)</u>	<u>(154.5)</u>
Operating profit	74.1	61.7
Finance costs	(6.8)	(7.6)
Profit before tax	<u>67.3</u>	<u>54.1</u>
Tax	(9.4)	(7.0)
Profit for year	<u><u>57.9</u></u>	<u><u>47.1</u></u>

**Trimayr Group**

**Consolidated statement of changes in equity for the year ended 31 December 2024**

	Share capital and premium	Retained earnings	Total
	<b>D\$ million</b>	<b>D\$ million</b>	<b>D\$ million</b>
Balance at 1 January 2024	35.0	55.9	90.9
Profit for the year		57.9	57.9
Dividends		(48.7)	(48.7)
Balance at 31 December 2024	<u>35.0</u>	<u>65.1</u>	<u>100.1</u>

**Trimayr Group**  
**Consolidated statement of financial position**  
**As at 31 December**

	<b>2024</b>	<b>2023</b>
	<b>D\$ million</b>	<b>D\$ million</b>
<b>Non-current assets</b>		
Intangible assets	6.9	6.9
Property, plant and equipment	178.3	176.4
	<u>185.2</u>	<u>183.3</u>
<b>Current assets</b>		
Inventory	4.3	3.9
Trade and other receivables	12.8	12.2
Bank	6.6	7.3
	<u>23.7</u>	<u>23.4</u>
<b>Total assets</b>	<u><u>208.9</u></u>	<u><u>206.7</u></u>
<b>Equity</b>		
Share capital and share premium	35.0	35.0
Retained earnings	65.1	55.9
	<u>100.1</u>	<u>90.9</u>
<b>Non-current liabilities</b>		
Loans and lease liabilities	85.0	95.0
<b>Current liabilities</b>		
Trade and other payables	14.6	13.9
Tax	9.2	6.9
	<u>23.8</u>	<u>20.8</u>
	<u><u>208.9</u></u>	<u><u>206.7</u></u>

**Extract from Pallo & Troo's annual report**

Pallo & Troo is one of Trimayr's direct competitors. It operates on a franchise basis, focussing on the midmarket. All of Pallo & Troo's salons are franchised.

**Pallo & Troo Group****Consolidated statement of profit or loss****For the year ended 31 December**

	<b>2024</b>	<b>2023</b>
	<b>D\$ million</b>	<b>D\$ million</b>
Revenues		
Franchise royalties	124.6	113.4
Product sales to franchisees	59.4	51.7
Training franchisee employees and principals	2.6	2.2
Company-owned salon revenue	-	-
	<u>186.6</u>	<u>167.3</u>
Operating costs		
Cost of product sales to franchisees	(36.8)	(33.5)
Cost of operating company-owned salons	-	-
Cost of training franchisee employees and principals	(1.1)	(0.9)
Marketing	(35.4)	(34.7)
Administration	(62.1)	(59.6)
	<u>(135.4)</u>	<u>(128.7)</u>
Operating profit	51.2	38.6
Finance costs	(4.8)	(4.8)
Profit before tax	<u>46.4</u>	<u>33.8</u>
Tax	(6.5)	(4.4)
Profit for year	<u><u>39.9</u></u>	<u><u>29.4</u></u>

**Pallo & Troo Group****Consolidated statement of changes in equity for the year ended 31 December 2024**

	Share capital and premium	Retained earnings	Total
	<b>D\$ million</b>	<b>D\$ million</b>	<b>D\$ million</b>
Balance at 1 January 2024	30.0	41.5	71.5
Profit for the year		39.9	39.9
Dividends		(39.1)	(39.1)
Balance at 31 December 2024	<u>30.0</u>	<u>42.3</u>	<u>72.3</u>

**Pallo & Troo Group**  
**Consolidated statement of financial position**  
**As at 31 December**

	<b>2024</b>	<b>2023</b>
	<b>D\$ million</b>	<b>D\$ million</b>
<b>Non-current assets</b>		
Intangible assets	4.1	4.1
Property, plant and equipment	127.4	124.2
	<u>131.5</u>	<u>128.3</u>
<b>Current assets</b>		
Inventory	3.6	3.3
Trade and other receivables	13.7	13.4
Bank	2.4	2.6
	<u>19.7</u>	<u>19.3</u>
<b>Total assets</b>	<u><u>151.2</u></u>	<u><u>147.6</u></u>
<b>Equity</b>		
Share capital and share premium	30.0	30.0
Retained earnings	42.3	41.5
	<u>72.3</u>	<u>71.5</u>
<b>Non-current liabilities</b>		
Loans and lease liabilities	60.0	60.0
<b>Current liabilities</b>		
Trade and other payables	12.5	11.9
Tax	6.4	4.2
	<u>18.9</u>	<u>16.1</u>
	<u><u>151.2</u></u>	<u><u>147.6</u></u>



## News reports

### Dazzland Daily News

#### Careers column – so you want to be a hairdresser?



Hairdressing has traditionally been a popular career choice for school leavers. It generally attracts those with an interest in fashion, who have creative personalities and who enjoy working with their hands. Once qualified, hairdressers can pursue a variety of opportunities, ranging from working in a local hairdressing salon to working in the beauty salon of a cruise ship. Some are attracted by the possibility of opening their own salons once they are qualified and have accumulated some experience.

There are two routes into hairdressing, namely college and apprenticeship. There is surprisingly little difference between the two.

Most local colleges offer hairdressing courses. These are full time, but all courses require students to complete periods of practical experience. Most college students seek part-time employment in local salons in order to fund their courses while gaining additional experience.

Apprentices are full-time employees. They receive training from qualified hairdressers throughout their apprenticeship. Initially, apprentices can expect to be given menial tasks such as washing customers' hair or sweeping floors. They can expect to be fully occupied in styling and treating customers' hair by the end of their apprenticeships.

It requires serious commitment to qualify as a hairdresser, regardless of the route that is taken.

## Dazzland Daily News

### Personal finance – you don't always have to pay to have your hair styled



Even a simple haircut can be expensive. Many people struggle to afford the cost, which can be embarrassing if that means attending a job interview or other event with untidy hair.

One possible solution is to look at the websites of local further education colleges that offer courses in hairdressing. They are often looking for volunteers on whom their students can put their classroom lessons into practice. The price of a haircut and blow dry can vary from nothing at all to a small fee of just a few D\$.

There is, of course, a risk that a student might not have acquired all of the skills necessary to cut your hair properly. These practical sessions are, however, supervised by teaching staff and they will usually do their best to tidy up any

mistakes made by students.

You may be lucky enough to live within travelling distance of a training centre run by a large chain of hairdressers. For example, Pallo and Troo trains its apprentices at two sites, one in Central City and another in North City. It is possible to have your hair styled at either. You might even be lucky enough to be offered a treatment such as dye or a perm if there are apprentices on hand who require experience in such skills. If you are really lucky, you could be styled by an experienced hairdresser who is being trained to cut in the latest styles or to use the latest products.

Another possibility is to visit your local salon and to ask to have your hair cut by an apprentice. Salons charge more for more senior staff and less for juniors. You could save money and the Salon Manager will probably check that your hair has been styled properly before you leave the premises.

## Dazzland Business Daily

### Non-compete agreements must be reasonable to be enforceable



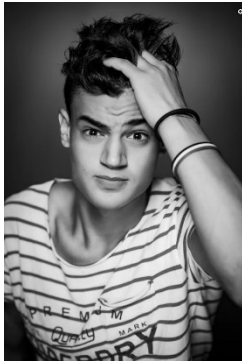
Employment contracts frequently contain “non-compete” clauses which restrict employees’ freedom to work for competitors after they leave. That reduces the risk of, say, a restaurant hiring a competitor’s former head chef and having that chef cook the competitor’s recipes in order to steal customers.

A non-compete clause has to be specific in order to be effective. It must, for example, set out the criteria for identifying competitors. It would be realistic to argue that a restaurant located within walking distance of the chef’s existing employer is a competitor. A restaurant in a different town is not.

The non-compete clause must also be reasonable. For example, an indefinite restriction against working for a competitor is unlikely to be enforceable. Dazzland’s courts tend to regard any restriction of more than 6 months after leaving an employer as unreasonable.

## Extracts from Ricco Snip's Blog

### My first day as an apprentice



I have just finished the first day of my hairdressing apprenticeship. I have to say that I am a little disappointed. I spoke to lots of customers, but only to ask whether they wanted tea or coffee (which I then had to make). The closest I got to customers' hair was in sweeping the clippings off the floor. It's not really how I imagined working in a salon.

I have always been interested in fashion and I like to look good. I was always going to get a job designing clothes or styling hair. I was really excited to be offered a job as an apprentice hairdresser at one of the big salons in the city centre, even if it is midmarket rather than one of the upmarket places. I was promised that I would be taught everything I needed to know in order to become a qualified hairdresser when I was interviewed for this job. So far, I have only learned to make tea and sweep floors.

Maybe I'll get to hold a pair of scissors tomorrow.

#### COMMENTS

I am a bit surprised by your attitude. You should have expected to start at the bottom and to prove yourself by doing a few simple tasks well before being permitted to cut a customer's hair.

Hayr Stiler

Every hairdresser has swept floors and made coffee. The floors don't sweep themselves and good hairdressers take a pride in keeping their workplaces tidy.

Jenny Perm

### My second day was better



That is the end of my second day. I actually got to work on a few customers!

I spent most of the morning assisting a hairdresser who had lots of bookings for cut and blow dry appointments. She showed me how to wash a customer's hair and told me to make sure that each of her customers was ready for her. She also showed me how to blow dry and let me make a start on a few customers before she took over and finished styling their hair.

The best thing of all was that every one of those customers gave her a gratuity before they left and she gave me a third of her gratuities from the morning session because I had helped her. She told me that it was regarded as fair for hairdressers to pass on a share.

Needless to say, it was back to sweeping floors and making tea in the afternoon.

## COMMENTS

Welcome to the hairdressing industry. It is important to be nice to customers because they remember that when they are deciding whether to give you a gratuity.

Jenny Perm

## It sells well because it smells nice



A lot of our customers remark that they like our branded products because they smell nice when we apply them in the salon. Many of them buy bottles of these products, including shampoo, conditioner and styling mousse, to use at home. These products are more expensive than the ones that can be purchased from the local supermarket, but they do deliver excellent results.

Hair is a protein filament that grows from follicles, which are sacs in the scalp. There are 4 different types of hair and follicles and each responds differently to haircare products. Hairdressers are trained to identify hair types and so to select the most suitable products.

Lots of the products that you can buy from supermarkets are designed to work reasonably well on all hair types. The products that are used by hairdressers come in different formulations, which makes it possible to match, say, shampoo to the customer's hair type. That gives us better results than if we were to buy our products from a supermarket.

When customers buy products to use at home, we make sure to sell them the same formulation that we used in the salon.

By the way, our products smell nice because they all use the same fragrance. If you buy different brands of shampoo, gel and hairspray then, each will use a different fragrance. Different products might not smell very nice if they are combined.

## COMMENTS

I am going to print this post out to show my customers. Lots of them are reluctant to invest in good quality products to use at home between hairdressing appointments. Their hair would be much healthier if they invested in the products that we sell at our salon.

Jenny Perm

## Make me look like this



I did my first haircut today! I was nervous in case I made a mess of it and left my poor customer with uneven hair. The customer had agreed to have his hair cut and styled by an apprentice in order to save money.

I asked him how he wanted his hair and he named a famous television newsreader and said he wanted me to copy his hairstyle. I said that I would do my best, but I knew that I wouldn't be able to give him an exact match. The customer's hair was a different texture from the newsreader's and the shape of the customer's face, head and ears all meant that he wouldn't suit that hairstyle even if I managed to cut it in

that style. Oh, and the newsreader's hair was a different colour and the customer didn't want to have his hair dyed.

I was quite pleased with the end result. I cut the customer's hair in a style that suited him. He said it was nice and smart when I had finished.

My manager said that she hates it when customers ask for impossible or unsuitable hairstyles. She said that I had done the right thing by giving the customer a hairstyle that he suited.

### COMMENTS

Congratulations on your first haircut. At least you didn't make a mess of it. The first time I cut a customer's hair, one of the experienced hairdressers had to take over and tidy the customer's hair before she could leave the salon.

I am often amazed at customers' inability to imagine how they would look if I cut their hair in the style of their favourite movie star or television character. I just smile and try to make it look a little like that.

Hayr Stiler



## Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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

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



 Reference Material Pre-seen

**Megan Connor, Senior Financial Manager, stops by your workspace:**

"I have brought you an extract from a report that has been circulated to the Board.

I need your advice on two matters before I discuss this document with Luiana Makundi, our Finance Director.

- Firstly, explain with reasons whether it would be sensible for Trimayr's Pop and Sheen salons to increase prices in order to recover the cost of increasing apprentice wages.

**[sub-task (a) = 60%]**

- Secondly, evaluate the possibility that increasing apprentice wages in isolation will lead to conflict within salons."

**[sub-task (b) = 40%]**

**The extract referred to by Megan can be found by clicking on the Reference Material button above.**



**Report on difficulties associated with the recruitment of apprentices****Executive summary**

*Prepared by Alex Johnstone, Senior Manager in Franchise Management*















The hairdressing industry is finding it increasingly difficult to recruit apprentice hairdressers. The total number of recruits to Dazzlandian hairdressing salons has decreased by 40% over the past 5 years. Fewer young people are prepared to commit themselves to the rigours of a 2-year apprenticeship.

Trimayr's salons benefit from brand recognition when they are recruiting apprentices. Independent salons do not have the same attraction. Nevertheless, many of our franchised salons cannot fill all their vacancies for apprentices. That has implications for salons' ability to serve customers because apprentices are tasked with menial but important jobs such as washing customers' hair, serving customers hot drinks and sweeping salon floors. Our franchises will generate less revenue if they are understaffed, which will reduce Trimayr's royalties and product sales.

Each franchised salon sets its own wage rates. Franchise Management believes that it may be necessary for salons that are struggling to recruit apprentices to offer higher starting wages for apprenticeships. Hopefully, the additional cost of doing so could be passed on to customers in the form of higher prices. Franchisees are free to set their own prices.













 Reference Material Pre-seen



Provide your response to Megan's requests in the box below.



Paragraph ▾

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 Reference Material Pre-seen

Two months later, you receive the following email:

**From:** Megan Connor, Senior Financial Manager

**To:** Financial Manager

**Subject:** Recruitment of apprentices

Hi,

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

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

- Firstly, identify with reasons the skills that will be required by the project manager who will take charge of the project to design and implement the recruitment campaign if it proceeds.

**[sub-task (a) = 60%]**

- Secondly, identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of the proposed recruitment campaign.

**[sub-task (b) = 40%]**

Regards

Megan

The extract from the Board minutes referred to by Megan can be found by clicking on the Reference Material button above.





**Extract from minutes of Board meeting**  
**Recruitment of apprentice hairdressers**

Barbara Wolnik, Franchise Director, informed the Board that salons were finding it increasingly difficult to recruit apprentices. Franchise principals have rejected the suggestion of increasing wages and recovering the cost through increased prices. Feedback from principals suggested that Trimayr should run an advertising campaign using social media, magazines, commercial radio and television to promote the benefits of becoming a Trimayr apprentice. Trimayr should bear the cost of this campaign, bearing in mind that a successful campaign will result in additional revenue from royalties and profits from the sale of hairdressing products.

The Board agreed to discuss the issues raised by this feedback at a later date.



 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** RE: Recruitment of apprentices



A large, empty rectangular box for writing the response to Megan's requests.

Reference Material

Pre-seen

Three months later, Trimayr's recruitment campaign has resulted in a significant increase in the number of apprentice hairdressers recruited by its franchised salons.

You receive the following email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject:** FWD: Apprentice recruitment and training

Hi,

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

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

- Firstly, recommend with reasons the ways in which total quality management (TQM) concepts might be incorporated into the initial training and induction of apprentices.

**[sub-task (a) = 40%]**

- Secondly, recommend with reasons the appropriate accounting treatment for the costs incurred by Trimayr in the creation of the proposed training and induction materials, and for the wages paid by salons to apprentices for time spent being trained by salon staff.

**[sub-task (b) = 60%]**

Regards

Megan

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

**From:** Luiana Makundi, Finance Director  
**To:** Megan Connor, Senior Financial Manager  
**Subject:** Apprentice recruitment and training

Hi Megan,

I have just had a meeting with Barbara Wolnik, our Franchise Director. Barbara is concerned that many of our recently appointed apprentice hairdressers lack the basic skills required to ensure that our customers receive good service. Feedback from franchise principals suggests that many of the new apprentices are careless in simple tasks, such as maintaining the appointments book for scheduling customer appointments. Also, they often lack interpersonal skills, such as the ability to engage customers in polite conversation when washing their hair.

Salons have not relaxed their selection criteria for appointing apprentices in order to increase recruitment. For example, the average age of apprentices and their average school grades have not changed.



Many franchise principals have proposed that Trimayr should develop online training and induction materials for newly-recruited apprentices. These materials could include interactive text with quizzes to ensure engagement and videos demonstrating how to interact with colleagues and customers. It would be expensive to develop such materials, but they could be used for several years, with only minimal updating.

Barbara believes that the proposed training materials could be helpful, but she also believes that salons should accept some responsibility for the initial induction of apprentices. She suggests that salon staff should provide apprentices with training and feedback on these basic skills.

Regards

Luiana



 Reference Material Pre-seen



Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** FWD: RE: Apprentice recruitment and training



 Reference Material Pre-seen

A month later, Megan Connor stops by your workspace:

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

I need your advice on two matters:

- Firstly, evaluate the product, product reputation and operational risks that the creation of the interactive induction course will create for Trimayr and recommend suitable responses.  
**[sub-task (a) = 60%]**
  
- Secondly, recommend with reasons the most positive disclosures concerning the course materials that we can make in our integrated report in relation to Trimayr's:
  - intellectual capital.
  - human capital.
  - social and relationship capital."**[sub-task (b) = 40%]**


The extract referred to by Megan can be found by clicking on the Reference Material button above.

**Extract from minutes of Board meeting**  
**Training and induction materials for apprentice hairdressers**










Barbara Wolnik, Franchise Director, informed the Board that her staff have developed an outline for the training and induction materials that have been identified as necessary for newly-appointed apprentice hairdressers. For example, many apprentices have been found to lack basic telephone skills, which can create a bad impression when customers phone to make appointments. Unfortunately, many such issues have been identified, particularly with interpersonal skills, and so it will be very expensive to create a satisfactory course.









The Board agreed that Trimayr should develop an interactive induction course that will be made available to all franchised salons. It will, however, be necessary to recover some of the development cost by charging franchise principals D\$100 for each apprentice in their employment who receives access to the course. The purchase of the course will not be mandatory.

Salons who pay for the course will receive tailored feedback on each apprentice's scores in the quizzes at the end of each section. Those scores will indicate potential training needs of each apprentice.

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

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Paragraph        



Thank you for completing the Management Case Study Exam.

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

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



## Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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

Click **Next** to start the test.



This examination is structured as follows:

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

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

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



 Reference Material Pre-seen

**Megan Connor, Trimayr's Senior Financial Manager, stops by your workspace:**

"I have brought you an extract from a report that has been circulated to the Board.

I need your advice on two matters before I brief the Finance Director:

- Firstly, evaluate the implications of the divestment of these salons for Trimayr's ability to define value and capture residual value as specified in its business model.

**[sub-task (a) = 40%]**

- Secondly, discuss the implications of the fact that the performance of Trimayr owned and operated salons often improves when they are franchised."

**[sub-task (b) = 60%]**

**The extract referred to by Megan and Trimayr's business model can be found by clicking on the Reference Material button above.**

**Proposal to divest Trimayr's remaining owned and operated salons****Executive summary**

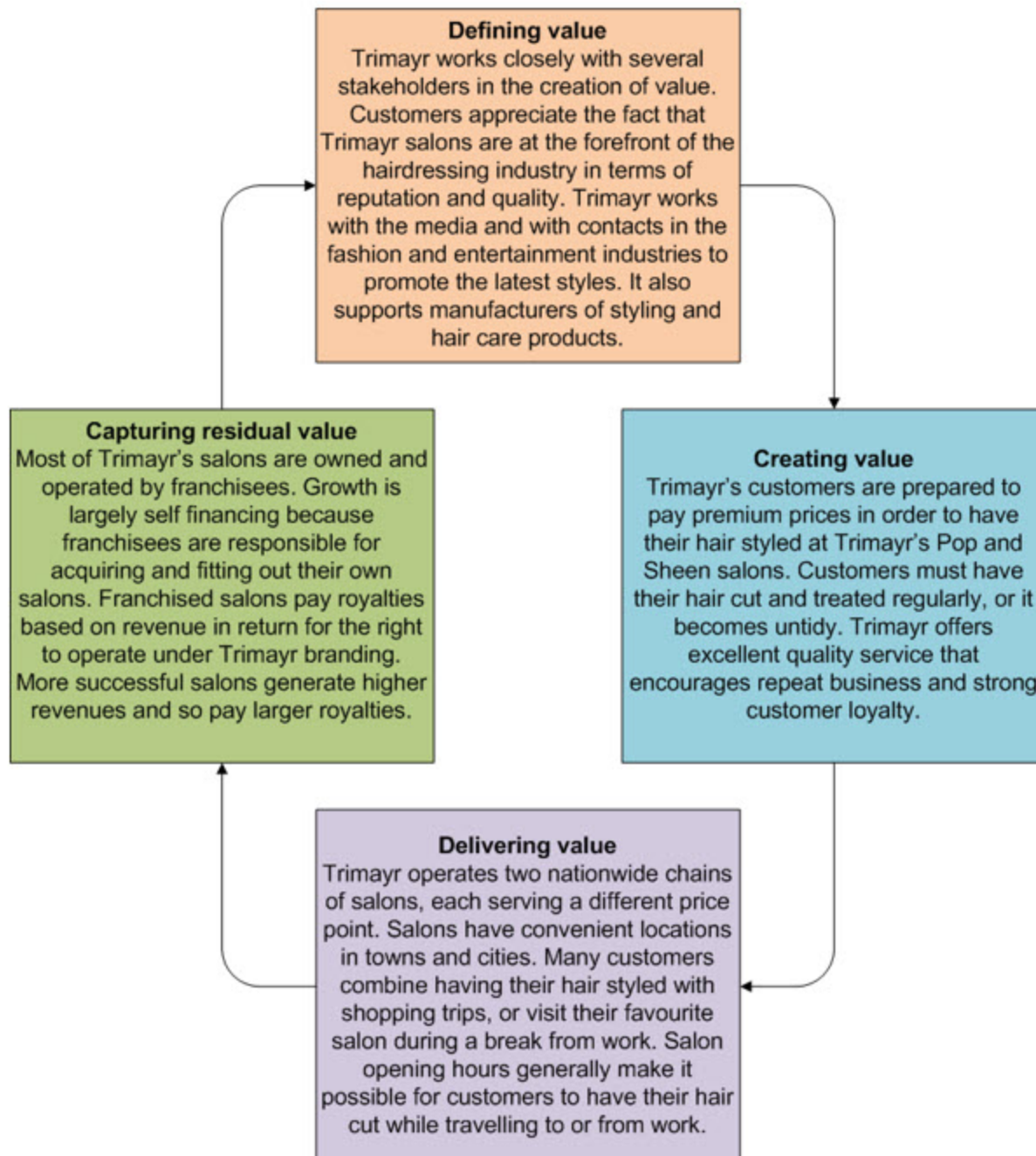
*Prepared by Daniel Silver, Senior Manager, Franchise Management*


Trimayr owns and operates 40 salons, all under the Trimayr Pop brand. These salons are managed by experienced hairdressers who have been trained in salon management. The salons use the same systems and are evaluated using the same key performance indicators as our franchised salons. The salon managers report to a small team within the Franchise Management Department.

These salons have been useful because we can use them to experiment with possible changes that might be rolled out to our franchised salons. They also give us insights into the challenges faced by our franchise principals in attracting and retaining customers.















It is several years since Trimayr last divested itself of any of its own salons. The Franchise Management Department believes that it might be desirable for Trimayr to divest itself of the remaining salons that it owns and operates. It has always been possible to find potential franchisees who would pay substantial fees to acquire our owned and operated salons because they have established reputations and loyal customers. Historically, the performance of divested salons, as measured in terms of revenue, customer retention and staff turnover, has usually improved after divestment.

### Trimayr's business model













 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.



Paragraph ▾

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Reference Material

Pre-seen

Three months have passed. Trimayr's Board has decided to proceed with the divestment of the 40 Trimayr Pop salons that the company owns and operates.

You receive the following email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject:** FWD: Divestment issues

Hi,

I have attached an email from Luiana Makundi, our Finance Director.

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

- Firstly, recommend with reasons the approach that should be taken to benchmarking the performance of the divested salons. I am particularly interested in whether we should restrict our benchmarking to the 40 divested salons or whether to include the 380 salons that already operate on a franchised basis.

**[sub-task (a) = 40%]**

- Secondly, identify and evaluate the challenges faced by the franchise principals of the newly-divested salons in setting selling prices that maximise their profits.

**[sub-task (b) = 60%]**

Regards

Megan

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

**From:** Luiana Makundi, Finance Director  
**To:** Megan Connor, Senior Financial Manager  
**Subject:** Divestment issues

Hi Megan,

The Franchise Recruitment Department has found potential franchise principals to take over the 40 Trimayr Pop salons that we currently own and operate. Nothing has been finalised because there are some issues that will have to be resolved.



Several of the potential franchisees have expressed an interest in benchmarking the performance of their salons for an initial period of at least 12 months after they take control. They wish to be reassured that they are maximising the return on their investments.

Some of the franchisees have expressed concern about pricing. Individual salons are free to set their own prices for styling and hair treatments. Trimayr has always had a common pricelist covering all of the salons that it owns and operates. We have used these salons to test new styles and products and so prices have been kept low in order to attract a wider range of customers for testing purposes. When we divest, the new principals will be free to set their own prices and their only concern will be to maximise profits.

Trimayr Pop is our midmarket brand. There are currently 380 franchised Trimayr Pop salons.

Regards

Luiana

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** FWD: RE: Divestment issues





 Reference Material Pre-seen

A month later, you receive an email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject:** Divestment

Hi,

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

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

- Firstly, identify and evaluate the issues likely to be discussed when negotiating the selling prices for these salons. Please exclude the Franchise Recruitment's use of the return on capital employed (ROCE) ratio from your response.

**[sub-task (a) = 60%]**

- Secondly, identify and explain the limitations of the ROCE calculation described by Barbara Wolnik for the purpose of negotiating selling prices with prospective salon principals.

**[sub-task (a) = 40%]**

The extract referred to by Megan can be found by clicking on the Reference Material button above.

**Extract from minutes of Board meeting****Divestment**



Barbara Wolnik, Franchise Director, informed the Board that her Franchise Recruitment staff were preparing to finalise the divestment of the 40 Trimayr Pop salons that are owned and operated by Trimayr. This will be the first divestment for several years and so neither she nor her staff have any direct experience of the process.

The divestment process requires Franchise Recruitment to negotiate a price for each salon with its prospective new principal. That price will reflect the fact that the principal will be acquiring a business that is an established going concern.

Ms Wolnik believed that the negotiation will be straightforward because none of the salons own assets other than hairdressing equipment and signage. All of the salon premises are leased.

Ms Wolnik also pointed out that her staff had calculated the return on capital employed (ROCE) for each of its owned and operated salons. This was easy to determine because Trimayr is aware of the revenues earned by each of these salons and the operating costs incurred, including wages and rent. Trimayr also maintains records of the book values of each owned and operated salon's assets, including hairdressing equipment and salon furniture. Each of the 40 salons offered a substantial ROCE.

After divestment, salon principals will be subject to the same conditions as other franchisees, including the need to pay royalties on revenues and to purchase products from Trimayr.

 Reference Material Pre-seen



Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** RE: Divestment



 Reference Material Pre-seen

A month later, Megan Connor stops by your workspace:

"I have printed an email that I received from the Finance Director. I need your advice on two matters before I reply:

- Firstly, identify and evaluate the product reputation and contractual inadequacy risks associated with the divestment of 40 Trimayr Pop salons as going concerns.
- Secondly, identify and explain the characteristics of debt that would make it beneficial for Trimayr to use the D\$20 million that it will receive from the divestment to make a partial repayment of the company's long-term debt."

**[sub-task (a) = 40%]**

**[sub-task (b) = 60%]**

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

**From:** Luiana Makundi, Finance Director  
**To:** Megan Connor, Senior Financial Manager  
**Subject:** Concerns about divestment

Hi Megan,

I have been thinking about some of the implications of our proposal to divest ourselves of 40 Trimayr Pop salons. It is several years since we last divested ourselves of an existing salon. All of our new salons since then have been new businesses opened by the salon principals, with training and other support from our Franchise Recruitment Department. None of our current Franchise Management staff have any direct experience of transferring an existing salon from Trimayr to a new principal.

I am worried that this divestment will expose Trimayr to some risks. The new principals will pay D\$0.5 million for each salon, but I am not convinced that we need the cash.















Regards

Luiana























 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.



Paragraph ▾

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Thank you for completing the Management Case Study Exam.

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

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





## Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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



Click **Next** to start the test.

This examination is structured as follows:

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

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

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

 Reference Material Pre-seen

You receive the following email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject:** Trimayr Academy

Hi,

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

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

- Firstly, identify the leadership challenges that will be faced by the replacement Head of School and recommend with reasons the leadership styles that will be most suitable for the replacement Head of School in the management of hairdressing and of business training.  
**[sub-task (a) = 60%]**
- Secondly, recommend with reasons how Trimayr's business intelligence system (BIS) might be used to assist in setting selection criteria for the replacement Head of School.  
**[sub-task (b) = 40%]**

Regards

Megan

The extract referred to by Megan can be found by clicking on the Reference Material button above.



**Extract from Board minutes****Retiral of Academy's Head of School**

Juan Leiva, Hair Technology Director, informed the Board that Fiona Regan, Trimayr Academy's Head of School, has decided to retire.

The Head of School's main responsibility is to oversee the training and continuing professional development of hairdressing staff at all levels in Trimayr salons, from apprentices to experienced hairdressers. The Academy's hairdressing courses are taught by a team of 80 experienced hairdressers, all of whom are seconded from their salons for 12 months. Trimayr compensates both the salons and the seconded hairdressers themselves for this support.

The Head of School is also required to supervise the training provided for new salon principals. These courses focus on the business aspects of operating Trimayr salons and are taught by a team of 20 permanent staff who are qualified to teach business skills including bookkeeping, human resources and marketing.

The Board agreed that Fiona Regan will be a difficult person to replace because she has served as Head of School since 1998, when the Academy was founded. The Board agreed that the qualities required of the new Head of School will have to be considered in relation to Trimayr's current needs.

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.


**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** RE: Trimayr Academy





 Reference Material Pre-seen

A month later, you receive the following email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject: FWD:** Trimayr Academy – new Head of School

Hi,

I have forwarded an email from a senior manager in Hair Technology.

I need your advice on two matters before I brief the Finance Director:

- Firstly, identify and evaluate the implications of the significant increase in the use of volunteers at the Academy for defining value and creating value in accordance with Trimayr's business model.

**[sub-task (a) = 40%]**

- Secondly, evaluate the risks that there will be insufficient demand from volunteers and that Trimayr will suffer because of contractual inadequacy.

**[sub-task (b) = 60%]**

Regards

Megan

The email referred to by Megan and Trimayr's business model can be found by clicking on the Reference Material button above.



**From:** Joss Moorkens, Senior Manager in Hair Technology

**To:** Megan Connor, Senior Financial Manager

**Subject:** Trimayr Academy – new Head of School

Hi Megan,

I am emailing senior managers in all departments to inform them that we have appointed Juliette Guilloteau as Trimayr Academy's Head of School. Juliette was previously a hairdresser at a Trimayr Sheen salon in Capital City. That is an upmarket salon that has always operated on a franchised basis. Juliette has had two separate 12-month secondments to the Academy's training staff.

Juliette has some exciting plans to change the Academy. She intends to place a great deal of emphasis on practical experience for apprentice hairdressers. Each apprentice will spend several hours each day in the Academy's training salon, under close supervision from training staff. Apprentices will have more opportunities to apply treatments, including hair colouring and straightening, in addition to cutting and blow drying.

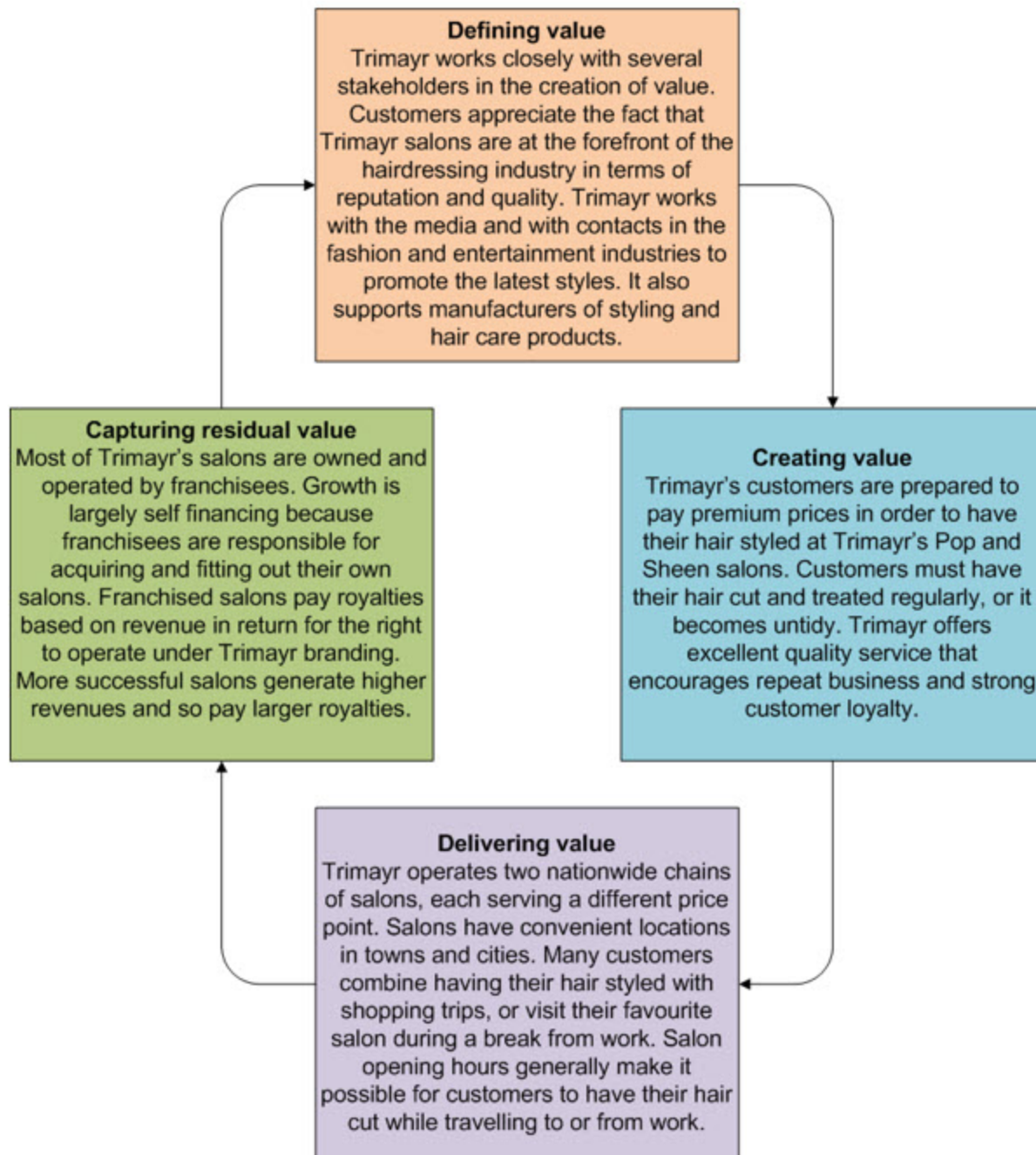
Juliette's changes will require at least twice as many volunteers to attend the Academy. We may have to reimburse volunteers' travel expenses in order to make this possible.



We will also need to increase the number of experienced hairdressers on secondment to the Academy by 50% in order to ensure that apprentices are properly supervised while working on volunteers' hair.

Regards

Joss

## Trimayr's business model



 Reference Material Pre-seen



Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** FWD: RE: Trimayr Academy - new Head of School



 Reference Material Pre-seen

Two months later, Megan stops by your workspace:

"I have brought an extract from a proposal that has been circulated to the Board.

I need your advice on two matters before I meet with the Finance Director:

- Firstly, identify the characteristics of debt and equity that affect their suitability for the funding of the proposed D\$28 million initial investment in the Academy and recommend the more suitable source of funds, stating reasons.

**[sub-task (a) = 60%]**

- Secondly, evaluate with reasons the arguments for and against establishing the Academy as an investment centre."

**[sub-task (b) = 40%]**

The extract referred to by Megan can be found by clicking on the Reference Material button above.



## **Proposal for the development of Trimayr Academy**

### **Executive summary**










*Prepared by Juliette Guilloteau, Head of School*










I have identified a number of matters that will require change if Trimayr Academy is to fulfil its purpose as a provider of excellent training of apprentices and experienced hairdressers.

- The Academy's building, which is owned by Trimayr, must be expanded to create space for additional training salons.
- Some of the classrooms and lecture theatres can be converted into training salons.
- The equipment in the existing training salons is out of date and in need of replacement.
- Addressing these matters will require an immediate investment of D\$28 million.
- Funds need to be made available to enhance and improve the Academy's teaching spaces and training equipment on a continuing basis.
- Franchised salons are charged for staff training. These charges should be treated as a revenue stream earned by the Academy.
- An increase in the fees charged for training will help to fund the investment.

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

       **B** *I* U   $x_2$   $x^2$  

Paragraph         



 Reference Material Pre-seen

Three months later, Megan Connor asks you to join her in a meeting room:

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

I need your advice on two matters before I meet with the Finance Director:

- Firstly, recommend with reasons two key performance indicators that could be used by the Board to evaluate the Academy's performance.
- Secondly, recommend with reasons the disclosures that should be made in Trimayr's Integrated Report in relation to the Academy's impact on Trimayr's:
  - intellectual capital.
  - human capital.
  - social and relationship capital."

**[sub-task (a) = 40%]**

**[sub-task (b) = 60%]**

The extract referred to by Megan can be found by clicking on the Reference Material button above.

**Extract from Board minutes****Trimayr Academy**

Juan Leiva, Hair Technology Director, informed the Board that Juliette Guilloteau's first few months as Trimayr Academy's Head of School have seen several changes, primarily in the shift from classroom instruction to practical training and also in the investment made in training facilities at the Academy. Mr Leiva believes that these changes would benefit Trimayr in the long term.

Some Board members expressed concern that there had been substantial and costly changes, with very little reassurance that the changes would be beneficial.

Pre-seen

**Provide your response to Megan's requests in the box below.**

[illegible]



Thank you for completing the Management Case Study Exam.

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

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



## Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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

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

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

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



 Reference Material Pre-seen

**Megan Connor, Trimayr's Senior Financial Manager, stops by your workspace:**

"I have brought a copy of a proposal that is under consideration by the Board.

I am interested in your opinion concerning two matters before I discuss this proposal with Luiana Makundi, our Finance Director:

- Firstly, recommend with reasons the manner in which Glaxus should be established as a responsibility centre after it has been acquired as a 100% subsidiary of the Trimayr Group.  
**[sub-task (a) = 40%]**
- Secondly, explain how movements in exchange rates after the acquisition of Glaxus as a foreign subsidiary will affect the Trimayr Group's reported performance."  
**[sub-task (b) = 60%]**

**Click on the Reference Material button above to see the proposal referred to by Megan.**

**Proposal to acquire Glaxus**



*Prepared by Joss Moorkens, Senior Manager in Hair Technology*

All of the hair care products that are used in Trimayr-branded salons are imported from Jayland, where the currency is the J\$. Our products are manufactured by Glaxus, an independent, unquoted company. Glaxus sells exclusively to Trimayr.










Glaxus manufactures two ranges of haircare products: Trimayr Max, which is used in Trimayr Pop-branded salons and Trimayr Luxe, which is used in Trimayr Sheen-branded salons. These products are also sold to customers for home use by their respective salons. Both ranges are of excellent quality, but Trimayr Luxe uses more expensive ingredients and is superior in terms of packaging and presentation.









Glaxus is constantly updating and improving its products. The company's Research and Development Team works closely with the product evaluation staff in the Hair Technology Department to ensure that all products are competitive in terms of quality and value for money when compared to midmarket and upmarket competitors.



The Hair Technology Department believes that Trimayr's relationship with Glaxus provides us with a significant competitive advantage over rivals. We recommend protecting that advantage by purchasing 100% of Glaxus' equity.

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

       **B** *I* U   $x_2$   $x^2$  

Paragraph        

 Reference Material Pre-seen

Two months later, Trimayr has acquired 100% of Glaxus' equity. You receive the following email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject:** FWD: Glaxus

Hi,

I have forwarded an email that I received from Joss Moorkens.

I require your advice on two matters before I discuss this email with Luiana Makundi, our Finance Director:

- Firstly, evaluate the arguments both for and against regarding Scan40 as a disruptive technology.  
**[sub-task (a) = 60%]**
- Secondly, recommend with reasons the accounting treatment that salons should adopt for the D\$100 charges for Scan40 hair scans.  
Salons are required to comply with IFRS.  
**[sub-task (b) = 40%]**

Click on the Reference Material button above to see the email referred to by Megan.



**To:** Megan Connor, Senior Financial Manager  
**From:** Joss Moorkens, Senior Manager in Hair Technology  
**Subject:** Glaxus

Hi Megan,

Glaxus is about to launch a new technology that will enable salons to create personalised hair care products for individual customers. This will be sold exclusively to Trimayr, for resale to our salons. Trimayr will promote this new technology with a major advertising campaign.

There are four main types of hair and Glaxus' products currently come in four varieties, one for each hair type. That enables Trimayr hairdressers to offer products, such as shampoo, that are a reasonable match with each customer's hair type. That is, however, just a rough match because each main hair type has subcategories. Improved matching will give customers healthier and more attractive hair.

Glaxus has developed "Scan40", a new technology that will improve matching. Every Trimayr salon that chooses to participate will purchase a scanner that can analyse hair samples and identify the hair's specific subcategory. Participating salons will also buy a device that quickly mixes ingredients to create hair care products that are a precise match to the customer's hair, either in small quantities for immediate use in the salon or in bottles for sale to customers for home use. Glaxus will supply those ingredients to Trimayr, who will resell them to participating salons.



Glaxus will continue to supply the existing products that offer a basic match to the main hair types. These will be branded "Classic". Customers can continue to use Classic products if they do not wish to pay extra for Scan40.

Customers who choose Scan40 will pay D\$100 for a hair scan. Hair styling and treatment using Scan40 products will cost customers 10% more than if they specify traditional products. Bottles of Scan40 products for home use will retail for 50% more than existing products.

Participating salons will be required to store Scan40 results for 3 years and to mix products whenever customers request them to during that time. The scan will have to be repeated every 3 years because hair texture can change slowly over time. Customers will be able to have their hair styled and treated with Scan40 product as often as they wish between scans.

Regards

Joss

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.


**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** FWD: RE: Glaxus





 Reference Material Pre-seen

Two months later, Megan Connor invites you to join her in a meeting room:

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

I require your advice on two matters before I meet with Luiana Makundi:

- Firstly, evaluate the difficulties associated with applying target costing to the design issues described by Juan Leiva in order to set a suitable selling price for Scan40 products.

**[sub-task (a) = 40%]**

- Secondly, recommend with reasons the steps that should be undertaken by Trimayr to establish a project team that can take responsibility for the design work to be completed on the Scan40 products."

**[sub-task (b) = 60%]**

The extract referred to by Megan can be found by clicking on the Reference Material button above.

**Extract from Board minutes**















Juan Leiva, Hair Technology Director, informed the Board of progress on the development of the Scan40 product range being undertaken by Glaxus, a 100% subsidiary of the Trimayr Group, based in Jayland.

- Glaxus has considerable expertise in the development of hair care products. Its development staff have already created the formulae for the creation of products that are matched to subcategories of hair types.
- The Scan40 products rely on a scanner that is being developed by engineers employed by an engineering consultancy in Jayland.
- Presentation will play a significant role in making Scan40 attractive to customers. Glaxus' Management Team is seeking guidance on two main issues:
  - The scanner's appearance is under discussion. It could be made cheaply, with a plastic case and noisy mechanical components such as cooling fans. Alternatively, the scanner could be housed in a polished metal case. It could also use more expensive mechanical components that would operate smoothly and silently. These design changes will not affect the scanner's accuracy. Using the most expensive design would require salons to charge D\$130 for a hair scan instead of the D\$100 that the Board had envisaged.
  - The retail packaging for Scan40 products will have to be designed. Glaxus' existing products are sold in simple bottles that are reasonably attractive. Using that packaging for Scan40 products would require salon staff to print and attach self-adhesive labels to bottles, stating the product type and customer's name. A more expensive bottle design is under consideration. That design uses more attractive materials that can be neatly inscribed with laser inscription equipment. The more expensive packaging would increase the cost of Scan40 products by 40% compared with the cheaper alternative, which would require an increase in the selling price of a bottle of product by D\$20 per item.

Reference Material










Pre-seen



Provide your response to Megan's requests in the box below.



Paragraph ▾

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 Reference Material Pre-seen

Trimayr's Board has decided not to proceed with the Scan40 product range. A month later, you receive the following email:

**From:** Megan Connor, Senior Financial Manager

**To:** Financial Manager

**Subject:** Hair care products

Hi,

I have attached an extract from a report that has been circulated to the Board.

I need your advice on two matters before I discuss the points raised with Luiana Makundi.

- Firstly, identify and evaluate the product reputation risk and the contractual inadequacy risk that arise from this extract.

**[sub-task (a) = 60%]**

- Secondly, recommend with reasons whether Glaxus should set selling prices for product sales to Trimayr in D\$ or J\$.

**[sub-task (b) = 40%]**

The extract referred to by Megan can be found by clicking on the Reference Material button above.




**Extract from report on Franchise Management visit to Trimayr Pop salons**

Recent visits by Franchise Management inspection teams to midmarket Trimayr Pop salons have revealed that many salons are purchasing hair care products such as shampoo and styling gel from local supermarkets instead of buying the Trimayr-branded products manufactured by Glaxus. Salon hairdressers claim that customers do not notice that substitute products are being used.

Trimayr purchases hair care products from Glaxus and resells them at a profit to salons. Salons are required to buy only Glaxus haircare products. The salons are, however, owned by franchise principals, who are not directly employed by Trimayr. It can be difficult to enforce the requirements of franchise agreements, even if salon principals are known to be in breach.

Glaxus is a 100% subsidiary of the Trimayr Group and is based in Jayland. Jayland's currency, the J\$, is volatile in relation to Trimayr's home currency, the D\$. The J\$ has been strong for several months, with no immediate sign of it weakening. Glaxus prices its products at cost in J\$ plus a markup. The strong J\$ makes it expensive for Trimayr to buy Glaxus' products. Trimayr then adds a further markup when it resells products to salons.

All salons continue to buy Glaxus hair care products from Trimayr for resale to customers for home use, but volumes are low because salons have increased their selling prices in response to the strong J\$.

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** RE: Hair care products







Thank you for completing the Management Case Study Exam.

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

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



## Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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



Click **Next** to start the test.

This examination is structured as follows:

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

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

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

 Reference Material Pre-seen

**You receive the following email:**

**From:** Megan Connor, Senior Financial Manager

**To:** Financial Manager

**Subject:** Salon performance

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

I need your advice on two matters before I discuss the issues raised with Luiana Makundi, our Finance Director:

- Firstly, recommend with reasons three key ratios that might be used to compare the performances of salons from Trimayr's perspective. For each ratio, indicate with reasons whether it should be based on monthly or annual figures. You need not restrict yourself to "textbook" accounting ratios.

**[sub-task (a) = 60%]**

- Secondly, evaluate the arguments for and against permitting individual salons to set their own prices for hairdressing and the resale of hairdressing products.

**[sub-task (b) = 40%]**

Regards

Megan

**The extract referred to by Megan can be found by clicking on the Reference Material button above.**

**Extract from Board minutes**  
**Evaluation of salon performance**

Barbara Wolnik, Franchise Director, reminded the Board that salons pay Trimayr a monthly royalty fee based on salon revenue from hairdressing. Salons also purchase hair care products such as shampoo from Trimayr. These products are sold to salons at a profit.

Ms Wolnik expressed concern that there are significant differences between the revenues earned by individual salons from hairdressing and from the volumes of product sales. That affects Trimayr's royalties from individual salons and also profits from product sales to salons. Each salon is owned by a salon principal, who is free to make business decisions such as setting the prices charged to customers for different hair styling and hair treatment services and the prices of hair care products sold for use at home. Trimayr provides salons with suggested price lists, with separate recommended prices for Trimayr Sheen and Trimayr Pop.

The Board discussed ways in which the performance of salons might be evaluated and compared, with the intention of encouraging salons with poorer performances to improve.



Each salon is incorporated as a company and each prepares an annual report that complies with IFRS. All salons use the same accounting software, which provides Franchise Management with a monthly statement of profit or loss and a statement of financial position. The software also creates an annual report for each salon that is based on the same data as the monthly financial statements.

Franchise Management maintains records relating to each salon, which includes:

- Whether the salon is Trimayr Sheen or Trimayr Pop.
- The capacity of each salon, measured by the number of hairdressers' chairs.
- The number of staff at each salon.

The Board agreed that it would be desirable for Franchise Management to make more effective use of the information contained in salon financial statements in order to rank performance. It was suggested that Finance should recommend a small number of relevant accounting ratios that might assist in this comparison.



 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager



**Subject:** RE: Salon performance



Paragraph ▼





 Reference Material Pre-seen

A month later, Megan Connor joins you at your workspace:

"I have brought you a copy of a report that has been circulated to the Board.

I require your advice on two matters before I meet with Luiana Makundi, our Finance Director:

- Firstly, recommend with reasons the ways in which Trimayr's business intelligence system (BIS) might be used to improve Trimayr's use of the reviews that are available on social media.

**[sub-task (a) = 40%]**

- Secondly, identify and evaluate the challenges faced by franchise principals in empowering and engaging their staff in order to improve customer feedback."

**[sub-task (b) = 60%]**

The extract referred to by Megan can be found by clicking on the Reference Material button above.

**Report on customer feedback****Executive summary**

*Prepared by Lori Montalbano, Senior Marketing Manager*

The Marketing Department wishes to make better use of the customer feedback that is available from social media.

At present, our focus is on the reviews that we receive through our website. Customers give us a ranking of between 1 (poor) and 5 (excellent). They are asked to explain their score by typing into a textbox. That feedback is not made available to the public.

Several social media sites permit their members to submit reviews of products and services that are accessible to other members. Trimayr can access all of those sites. We download reviews relating to Trimayr and use our business intelligence system (BIS) to combine ratings from our website with those from social media.



We analyse feedback by focussing on the average rankings received collectively by all Trimayr Pop and Trimayr Sheen salons. We track movements in these averages, hoping to achieve at least 4.5 overall.

The Marketing Department believes that Trimayr should also download competitors' feedback from social media. We should also make much greater use of the fact that some reviews indicate the branches visited.















One point that has been noted from feedback is that customers are often more tolerant of problems if a member of staff acts to remedy matters. For example, the following review was posted on social media concerning the Trimayr Pop salon in Hilltown:

**PP Wasted lunch hour!**











I had booked an appointment to have my hair cut by James at lunchtime today. I arrived on time, but James was delayed, so I had to leave with my hair uncut because I only get an hour for lunch. I would have given a 1-star review, but the apprentice who was staffing the reception desk persuaded me to rebook for tomorrow. She promised that James would be on time and said that I could also have a 10% discount for the inconvenience.



 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.



Paragraph ▾

									
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 Reference Material Pre-seen

A month later, you receive the following email:

**From:** Megan Connor, Senior Financial Manager

**To:** Financial Manager

**Subject:** Acquisition of new salons

Hi,

I have attached an extract from a proposal that has been circulated to the Board.

I need your help with the following matters before I meet with Luiana Makundi, our Finance Director:

- Firstly, evaluate the characteristics of debt and equity in terms of their suitability for financing the D\$30 million required for this investment in owned and operated salons.

**[sub-task (a) = 60%]**

- Secondly, evaluate the arguments for and against organising the 20 new owned and operated Trimayr Sheen salons as an investment centre.

**[sub-task (b) = 40%]**

Regards

Megan

The extract referred to by Megan can be found by clicking on the Reference Material button above.





**Proposal for the acquisition of 10 Trimayr owned and managed salons****Executive summary**

*Prepared by Daniel Silver, Senior Manager, Franchise Management*

All of Trimayr's owned and operated salons are from the midmarket Trimayr Pop brand. Our ownership and control of those salons provides Franchise Management with the opportunity to experiment with new ideas. It also provides us with an understanding of the challenges faced by our franchised salons.

Franchise Management is keen to open 20 upmarket Trimayr Sheen salons that will be owned and operated by Trimayr. These new salons will be managed by Franchise Management and will be organised as a separate responsibility centre. That will require us to spend approximately D\$20 million on property and a further D\$10 million on decorating and equipping the new salons.

Each salon will be supervised by a salon manager, who will have similar responsibilities to the principal of a franchised salon.

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** RE: Acquisition of new salons



Paragraph ▾





Reference Material

Pre-seen

Six months have passed. The new owned and operated Trimayr Sheen salons will open soon, in locations across Dazzland. You receive the following email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject:** FWD: Identifying and making best use of talent

Hi,

I have forwarded an email.

I require your advice on two matters before I reply to Luiana.

- Firstly, recommend with reasons ways in which Franchise Management can identify above-average hairdressers who are currently employed by Trimayr Pop salons.

**[sub-task (a) = 40%]**

- Secondly, evaluate three difficulties associated with using transfer pricing to encourage the transfer of above-average hairdressers from existing Pop salons to the new Sheen salons. These transfers should be beneficial to Trimayr as a whole.

**[sub-task (b) = 60%]**

Regards

Megan

Click on the Reference Material button above to see the email referred to by Megan.

**From:** Luiana Makundi, Finance Director  
**To:** Megan Connor, Senior Financial Manager  
**Subject:** Identifying and making best use of talent

Hi Megan,



We are keen to make the best possible use of our new owned and operated Trimayr Sheen salons. These are located in city-centre sites, none of which are served by franchised Trimayr Sheen salons. Most of these cities have multiple franchised Trimayr Pop salons, each serving a different district.

Our Franchise Management Department is keen to identify Trimayr Pop salons that employ above-average hairdressers, with a view to recruiting some to work in the new Trimayr Sheen salons. It would be ideal for each of the new salons to have at least one or two above-average hairdressers who have experience of working for franchised Trimayr salons.

It might be difficult to recruit hairdressers from franchised Trimayr Pop salons. Salon principals require their hairdressers to sign employment contracts that prevent them from working for any other salon in the same town within 3 months of them leaving. Those contracts are reasonable and enforceable. Principals could agree not to enforce those conditions, but they would insist on an incentive for doing so. Ideally, Trimayr could determine a mutually-acceptable transfer price that would enable the new Sheen salons to recruit above-average staff from franchised Pop salons.

Regards

Luiana

 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** FWD: RE: Identifying and making best use of talent





Thank you for completing the Management Case Study Exam.

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

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



## Management Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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

Click **Next** to start the test.

This examination is structured as follows:

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

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

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



 Reference Material Pre-seen

**Megan Connor, Senior Financial Manager, stops by your workspace:**

"This news article has just gone online.

Juan Leiva, our Hair Technology Director, trained at the Trimayr Academy with Brent Roges. Brent Roges has offered to sell Privat to Trimayr for a substantial cash sum. Privat is presently an independent business that was founded by Brent Roges and remains under his ownership and control. He will retire if this sale proceeds, but he has not had an active role in the hairdressing aspect of the business for several years. His artistic and styling staff will remain with the company.

Juan Leiva and Yatimah Alias, our Marketing Director, agree that owning Privat will enhance Trimayr's reputation for innovation in hairdressing. Privat will continue to generate publicity with its new designs and its association with celebrities.

The Privat salon is located in Bartimer Street, which is home to several luxury upmarket salons, including Trimayr Sheen's most exclusive salon. The salon is Privat's only major tangible asset.

I need your advice on two matters before I meet with Luiana Makundi, our Finance Director, to discuss issues relating to this new product:

- Firstly, identify and evaluate the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of the proposed acquisition of Privat.

**[sub-task (a) = 40%]**

- Secondly, identify and evaluate the challenges associated with determining and accounting for the goodwill on the acquisition of Privat."

**[sub-task (b) = 60%]**

**Click on the Reference Material button above to see the article referred to by Megan.**

## Dazzland Daily News



### Privat, Brent Roges' salon, named official hair partner to Dazzland Theatre Awards

















Privat, Brent Roges' salon, will be responsible for styling artistes' hair for the third year in a row at the prestigious Dazzland Theatre Awards. A salon spokesperson commented that it was an honour to be selected once more but claimed that the invitation was not surprising because the salon continues to be at the leading edge of hair styling and fashion.

Many top celebrities have their hair cut at Privat, Brent Roges' exclusive salon, where prices start at D\$500.

The press are already gathering outside the Privat salon, hoping to take a photograph of a major celebrity visiting for a consultation.









 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.



Paragraph ▾

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Reference Material

Pre-seen

Three months later, Trimayr has acquired 100% of the equity of Privat, a leading salon that specialises in innovative hair design for famous celebrity clients.

You receive an email:

**From:** Megan Connor, Senior Financial Manager  
**To:** Financial Manager  
**Subject:** Managing Privat

Hi,

I am meeting with Luiana Makundi, our Finance Director, to discuss the integration of Privat into the Trimayr Group. Privat will continue to operate as a leading luxury upmarket salon, serving celebrities and wealthy customers. Its role within Trimayr will be the generation of positive publicity that will attract customers into Trimayr Pop and Trimayr Sheen salons.

I require your advice on two matters:

- Firstly, recommend with reasons how Privat's operations might contribute to and strengthen Trimayr's business model.  
**[sub-task (a) = 60%]**
- Secondly, recommend with reasons the performance measures that Trimayr's Board might require from Privat on a monthly basis.  
**[sub-task (b) = 40%]**

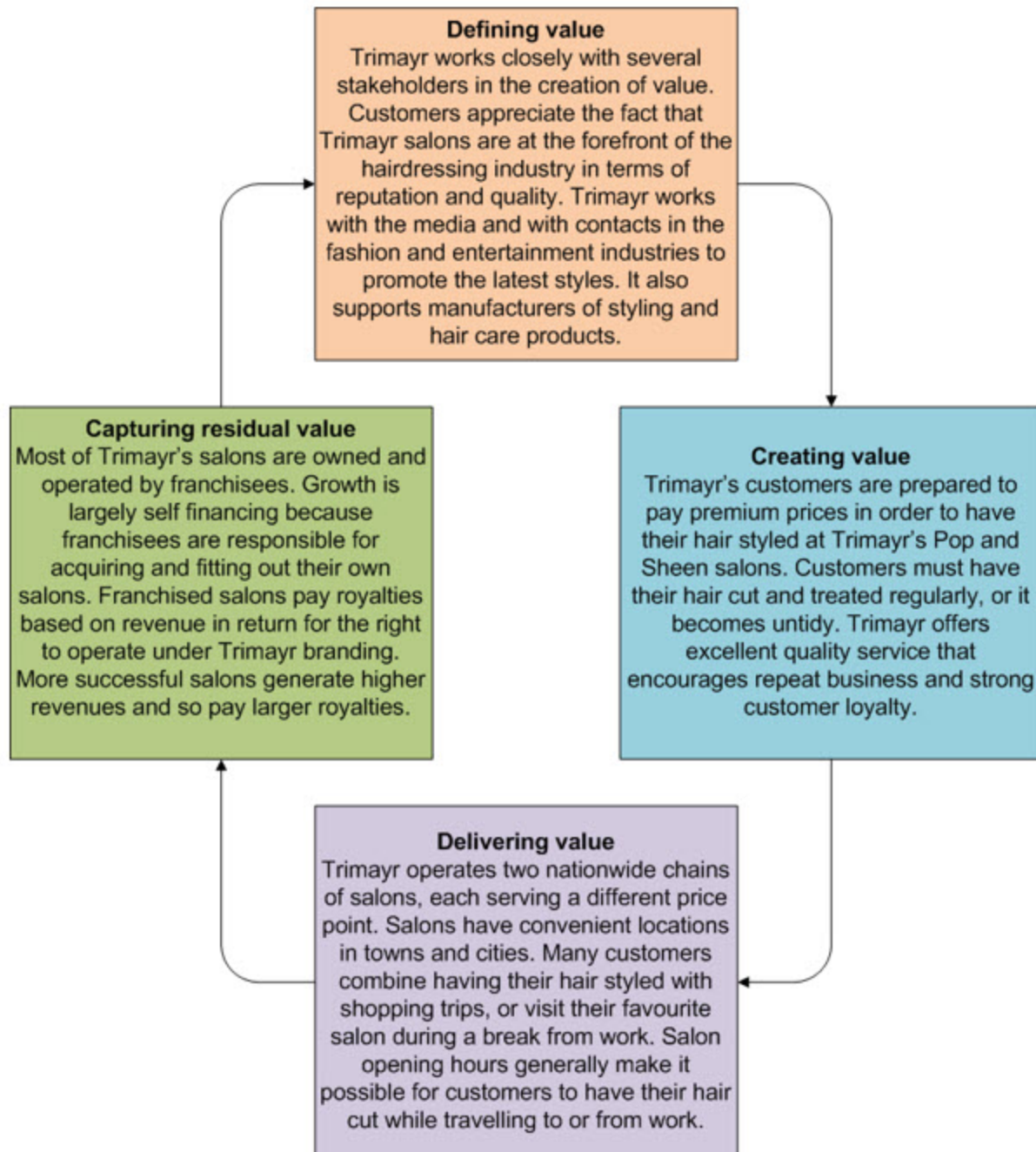
Regards



Megan

Click on the Reference Material button above to see Trimayr's business model.



## Trimayr's business model



 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.



**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** RE: Managing Privat





 Reference Material Pre-seen

A month later, Megan Connor stops by your workspace:

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

I require your advice on two matters:

- Firstly, identify and evaluate the product reputation and the contractual inadequacy risks that might arise from Trimayr advertising on the basis of its ownership of Privat.

**[sub-task (a) = 40%]**

- Secondly, recommend with reasons the contributions that salon principals, hairdressers from Trimayr Pop and Sheen salons and hairdressers from Privat could make in the proposed project team."

**[sub-task (b) = 60%]**



The extract referred to by Megan can be found by clicking on the Reference Material button above.

**Extract from minutes of Board meeting**















Yatimah Alias, Marketing Director, informed the Board that her staff were working on an advertising campaign to focus attention on Trimayr's ownership of Privat, the leading luxury upmarket salon, serving celebrities and wealthy customers. It was hoped that customers would be attracted to midmarket Trimayr Pop and upmarket Trimayr Sheen salons because of this association.

Juan Leiva, Hair Technology Director, warned the Board that Trimayr would have to be careful not to create unrealistic expectations. Privat charges D\$500 for a haircut and styling appointment, which takes a whole morning or afternoon. Trimayr Sheen salons charge D\$150 for the same service, which takes 90 minutes. Trimayr Pop charges D\$80 and allows 1 hour.











Salon principals are concerned that hairdressers at Trimayr Pop and Sheen salons will be discouraged if customers expect Privat hairstyles because of the time and the hairdressing skills that they require. It has been suggested that a project team should be established to plan the introduction of a limited range of Privat hairdressing services at Trimayr Pop and Sheen salons. The project team would comprise representatives from salon principals, hairdressers from Trimayr Pop and Sheen salons and hairdressers from Privat.



 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.



Paragraph ▾

									
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 Reference Material Pre-seen

A month later, you receive an email:

**From:** Megan Connor, Senior Financial Manager

**To:** Financial Manager

**Subject:** FWD: Media events

Hi,

I have forwarded an email concerning Privat's involvement in major media events.

I am keen to hear your opinion on two matters:

- Firstly, recommend with reasons whether it would be acceptable to capitalise the costs incurred in Privat's involvement with the Dazzland Theatre Awards and similar events as intangible, non-current assets.

**[sub-task (a) = 40%]**

- Secondly, identify and evaluate the challenges associated with conducting a value analysis of the costs incurred in running Privat.

**[sub-task (b) = 60%]**

Click on the Reference Material button above to see the email referred to by Megan.



**From:** Joss Moorkens, Senior Manager in Hair Technology  
**To:** Megan Connor, Senior Financial Manager  
**Subject:** Media events

Hi Megan,

Privat's Management Team attributes a significant amount of its commercial success to its involvement in styling celebrities' hair for major events. For example, Privat was the "official hair partner" at the recent Dazzland Theatre Awards. That involved styling the hair of 80 actors on the day of the ceremony. That was a major undertaking because many of the celebrities required elaborate hairstyles that took a great deal of time and skill. Privat incurred significant costs for staff overtime and travel expenses.

Privat's most senior hairdressers visited each celebrity before the Awards ceremony. They studied the clothes that each planned to wear and discussed hair styling options.

Privat is involved in several such events each year. It does not charge for this work because Privat's management believes that the salon benefits from the positive publicity that it receives. Event organisers are required to name Privat in press releases and in websites relating to their events. Privat's name is mentioned frequently in press coverage of the events and in the commentary when the events are broadcast on television or streamed on the internet.



Privat's reputation enables it to attract wealthy customers, who are prepared to pay a great deal for their normal hairdressing needs. Unfortunately, serving this market generates surprisingly little profit because the salon's operating costs are high:

- Privat pays high salaries in order to retain excellent hairdressers and receptionists.
- Privat's salon is decorated and furnished to a very high standard, with constant refurbishment to allow for changing fashions and any wear and tear.
- Customers are served luxurious snacks and refreshments throughout their visits. The salon's kitchen serves freshly prepared food throughout the day. No charge is made for these.

Regards

Joss



 Reference Material Pre-seen

Provide your response to Megan's requests in the box below.

**From:** Financial Manager

**To:** Megan Connor, Senior Financial Manager

**Subject:** FWD: RE: Media events



A large, empty rectangular box for writing the response to Megan's requests.



Thank you for completing the Management Case Study Exam.

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

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

## Management Case Study

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

##### Increasing prices

Franchise principals would have to consider the extent of any wage increase and the resulting impact on their operating costs. It might be realistic to pass the additional cost on to customers if the costs are moderate, but a substantial increase might lead to a loss of business. It is unclear whether increasing wages will be sufficient to attract more apprentices into the salons. It may be necessary to increase wages by a substantial amount to offset fears that it is unpleasant to serve a 2-year apprenticeship. In the worst possible case, the additional wages will not attract additional apprentices, but the salons will lose business because of their increased charges.

Franchise principals would also have to consider the response of their competitors to any such move. Competitors might attempt to match any increase in apprentice wages, which could force franchise principals to increase their wages even further in order to compete for the available applicants. If apprenticeship wages increase across the industry, then it is reasonable to expect all salons to suffer a similar increase in operating costs. In that case, it may be that most salons will increase their prices by similar amounts, which would mean that Trimayr Pop and Sheen salons could maintain their profits. The fact that so many rival salons operate independently makes it difficult for Trimayr's head office to advise salon principals. Decisions may have to be taken at local levels, taking account of local competition.

Trimayr Pop salons are at greater risk in this pricing decision than Trimayr Sheen. Pop is a mid-market brand, which suggests that its salons face greater competition than Sheen. Pop salons could lose customers if they raise their prices by an amount that customers regard as excessive, especially if local competitors maintain existing prices or impose a smaller increase. The need to maintain prices is confirmed by the fact that Pop salon prices are comparable to those of rival mid-market chains.

Experimenting with an increase could be risky because it may be difficult to reverse any increase because salons will not necessarily have an efficient means of communicating with customers. Unhappy customers are likely to find an alternative salon and may not choose to return to their preferred Pop salon, even if it does reduce its prices to previous levels.

Trimayr Sheen salons are probably at less risk of losing customers in the event of a price increase. The salons are upmarket and so there is likely to be less immediate competition in most locations. Sheen customers are likely to be sufficiently wealthy to be relatively indifferent to an increase in the price of a hairdressing appointment. Sheen already charges more than most rival upmarket salons, which suggests that its customers are willing to pay a premium over market prices. Indeed, a price increase might reinforce Sheen's reputation as an upmarket brand and so help salons to retain its customer base.

## **Conflict**

Increasing apprentice wages in isolation will reduce the pay difference between hairdressers and their apprentices, which could lead to conflict between hairdressers and salon principals. Hairdressers might argue that the increase in the entry level wages should be carried through to higher grades of staff and that they should also receive an increase. Apprentices' wages are generally low, which suggests that they would need a substantial percentage increase in order to make a real difference. Salons might struggle to afford the same percentage increase for hairdressers, which could lead to ongoing conflict.

A wage increase could lead to conflict between hairdressers and apprentices if hairdressers are jealous of the wage increase paid to apprentices. Customers often pay hairdressers gratuities as a gesture of gratitude and hairdressers often share those gratuities with the apprentices who assisted them. If hairdressers believe that they are now being underpaid in relation to apprentices, they might stop sharing gratuities and so might demotivate apprentices.

Some towns have more than one Trimayr Pop salon. If different salons in the same town offer significantly different wage rates to apprentices, then there could be conflict between apprentices and salon principals. Apprentices in the salons that offer lower wages might threaten to leave for salons where the pay is higher. Even if the apprentices do not wish to leave, they might use the threat of doing so to help them bargain for better working conditions, which could create further conflict with other salon staff.

## SECTION 2

### **Project manager**

The Project Manager will need to have strong communication skills in order to ensure that the Board's objectives for this project have been clearly understood. Those skills will also be required to ensure that members of the project team are properly briefed and understand their respective roles. Trimayr's Board will have to brief the Project Manager on its expectations of this project. The Project Manager must be able to interpret that brief to ensure that all necessary information has been included. If necessary, the Project Manager will have to be capable of asking specific questions on any areas in which the brief is incomplete or unclear. Similarly, the Project Manager will have to ensure that the members of the project team receive clear and comprehensive instructions so that they are fully aware of their responsibilities.

This is a complicated project, employing a range of media types and so the Project Manager will require the ability to manage budgets effectively. It is important to be able to allocate resources in an efficient and effective manner so that the best use is made of the overall amount that has been set aside by the Board. This will be an expensive campaign and so costs will have to be managed carefully as any overspend could prove significant. There are several media types, so even a small adverse variance on each element could cause a significant total overspend. The Project Manager should request regular reports on costs that have been committed to ensure that the project is likely to end up within budget overall.

Time management and scheduling are important skills because each media type will require content to be developed. The campaign itself will have to be planned, with airtime and magazine pages booked. Delays with any of the elements of the campaign could delay the project as a whole because the advertising will have more impact if all content is aired simultaneously. The Project Manager will have to ensure that team members are allocated realistic deadlines for their element of the campaign. Progress will have to be monitored to ensure that any delays are predicted and can be addressed, perhaps by the reallocation of resources to address any delays. It would be beneficial if the Project Manager could establish a culture in which team members are encouraged to raise concerns before they become a serious issue for the project as a whole.

The Project Manager will require an understanding of Trimayr's business and the nature of the work undertaken by its apprentices and hairdressers. It is important to be able to oversee the creation of advertising content that offers a positive impression of the jobs that are being promoted. The Project Manager should be able to check that each element of the campaign is offering a realistic and positive impression of the advantages of pursuing an apprenticeship with a Trimayr salon.



## **Cash flows**

It is difficult to predict the impact that declining apprentice numbers will have on Trimayr's revenues. Salons may be able to deal with the recruitment problem in other ways. The most immediate concern is that there will be insufficient apprentices to undertake menial jobs, such as sweeping and making tea and coffee. If salons cannot recruit apprentices to undertake such tasks, then they might be able to employ cleaners to keep the salon tidy and to make refreshments. It is unlikely that salons will suffer any major reduction in customer numbers just because of a shortage of apprentices.

It will be difficult to establish the number of additional apprentices who will seek employment with Trimayr because of this campaign. In the past, there was a steady supply of young people who were attracted to the hairdressing industry because of an interest in fashion. There was no need for advertising on this scale. Attitudes have changed, which makes it unclear whether the adverts will have a material impact on recruitment.

The most serious threat to cash flows is in the medium to long term. Training apprentices provides salons with a steady flow of staff who will eventually qualify as hairdressers. Once qualified, they enable salons to replace hairdressers who leave and to allow for expansion, requiring additional staff. It may prove difficult to maintain staff numbers in the longer term if the apprenticeship route closes because of lack of interest. A successful advertising campaign could reverse that net outflow of hairdressers.

## SECTION 3

### TQM

It appears that salons might benefit from applying total quality management (TQM) concepts to training and managing apprentices, requiring greater focus on customer satisfaction and continuous improvement in customer care. There could be scope for improvement in these areas, even though full TQM cannot be applied in relation to isolated areas.

Apprentices should be trained to ensure that they aim for 100% quality in everything that they do, even in relatively unskilled and menial jobs. Even simple tasks, such as recording a customer's telephone booking for a hairdressing appointment, requires care and attention because any error could mean that there is nobody available to style or treat the customer's hair. The costs arising from such errors could be disproportionate, with the possibility of losing valuable customers to rivals and reputational risks such as negative feedback on social media. Hairdressing is expensive, particularly in upmarket Trimayr Sheen salons, and so customers expect to be treated with care and with courtesy in their dealings with all staff, including apprentices. Salons cannot afford to have their apprentices take a reckless approach to any task because it may be impossible to rectify mistakes that occur.

Apprentices should aim for continuous improvement, both in terms of their own work and in terms of the service provided by their salon overall. Apprentices will be trained in a succession of tasks over a 2-year period, each of which will be increasingly skilled and involve more contact with customers. If apprentices seek to challenge themselves to work harder in order to make a greater contribution to customer satisfaction, then the overall performance of their salons will improve. Demonstrating a positive attitude towards learning will encourage salon staff to invest more time and effort in training apprentices and so there will be mutual benefit. Customers will also be more likely to continue to use the salon if staff at all levels appear to be working hard to create a pleasant atmosphere and if they provide good quality service in everything that they do.

### Accounting treatment

The accounting treatment of these costs should be determined in accordance with IAS 38: *Intangible assets*. The question that must be answered is whether the costs of the training materials and the wages paid for receiving training can be accounted for as assets. If not, they will have to be treated as expenses. An asset is defined as a resource that is controlled by an entity from which future economic benefits are expected to flow. It could be argued that the training materials will fall within that definition because Trimayr will own the copyright in the materials. Therefore, they will benefit from their ownership in terms of the royalties that will be received because salons will have a steady flow of apprentices. The salons will not be able to treat the wage costs of training apprentices as assets because they will have no control over future benefits. Apprentices will be free to resign and to take any value associated with their training with them.

Trimayr can only recognise the cost of creating the training materials as an asset if it is probable that future economic benefits attributable to the materials will flow to Trimayr and that those costs can be measured reliably. The future economic benefits will flow to Trimayr in the form of increased and reliable royalties from salons. The salons will also derive some benefit, in the form of attracting and training apprentices. That cost will not be borne directly by Trimayr. The reliable measurement of cost will require Trimayr to maintain accurate records relating to the materials. That could be as simple as tracking payments to a training company for the development of materials. If the materials will be developed in-house, the staff responsible for their creation will have to maintain detailed records of the time spent on development and the payroll will provide their hourly rate of pay.

The training materials will have to be measured initially at cost. That cost will then have to be amortised over the estimated useful life of the materials. It might be argued that many of the skills required from this training will be unlikely to change significantly into the long-term future, so setting the estimated useful life will be a challenge. Trimayr will have to estimate a reasonable expected life, setting an upper limit of, say, 10 years. The book value of the asset will also have to be reviewed every year in case of impairment.

## SECTION 4

### **Business risks**

Product risk is the risk of poor demand for a new product. Salon principals may regard the D\$100 per apprentice as an excessive amount and so might decide not to invest in this training. The apprentices will be expected to work under the supervision of salon staff and so any weaknesses in basic skills such as taking a booking over the telephone will be identified quickly and corrected. The principals may also believe that the staff whom they recruit will be selected on the basis of their ability to cope with simple tasks, such as making tea, or at least their ability to learn quickly. One response to this would be to incorporate the need for additional training for apprentices into the regular visits by the Franchise Management Department. At the very least, such feedback would encourage principals whose apprentices are lacking in basic skills to invest in additional training.

Product reputation risks arise because customers perceive problems with the product that is being offered. Salon principals may feel that the training programme is an attempt by Trimayr to generate additional revenues at the expense of their salons. Apprentices may resent being asked to undertake training in basic skills and may complain to their superiors that they are obtaining very little benefit from the course. Salon principals who are faced with such staff complaints and, possibly, poor completion rates, could draw the conclusion that the course is badly designed. One possible response would be for Trimayr to pilot a final draft of the course by paying the apprentices at the Trimayr Pop owned and operated salons to work through it. Hopefully, the apprentices will provide positive feedback, which will help to promote it. At worst, Trimayr could use any negative feedback to make changes before the course is launched.

Operational risks relate to losses that might arise in business operations. There could be problems with the course content or with the delivery of the course. The course itself could create problems if it contains any errors, such as recommending behaviour that is not consistent with Trimayr's standard operating procedures. There could also be operational risks associated with delivery, including the possibility that some salons will pay for only one user and will instruct multiple apprentices to use the same login details. It would be sensible to ask a salon manager to review the training materials to ensure that the content is satisfactory and is unlikely to mislead. It may also be necessary to program the system to restrict user access. For example, it may be possible to set the system to prevent users from returning to a section of the course once they have passed the quiz at the end of that section.

### **Integrated report**

Trimayr can claim intellectual capital in the form of ownership of the copyright to the course materials. The course will be available to help newly-appointed apprentices to identify areas of weakness on which they can seek advice. The course content is based on Trimayr's recent experience of employing apprentices and so will be focussed on areas of need. Rivals might find it difficult to develop their own versions of this course. It will not be cost-effective for independent salons to do so.

It can be argued that the course will enhance human capital in terms of providing practical training in important skills that are required in the hairdressing industry. The course will be designed to address specific areas in which training may be necessary; for example, the need to develop competence in handling telephone bookings. These are areas that are important because they may not have created problems in the past. The course will allow for a diagnostic element that will enable salon managers to support apprentices who are lacking in key skills.

The course will enhance social and relationship capital by demonstrating commitment to newly-employed apprentices. Trimayr is encouraging principals to invest in induction training for each apprentice. The course will provide apprentices with a clearer understanding of the manner in which they are supposed to interact with customers, which will make customers feel more comfortable during their appointments. The maintenance of good standards in those areas is important because Trimayr salons generate revenue from their ability to maintain strong relationships with customers.



## Management Case Study

May & August 2025

### Exam Answers

#### Variant 2

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#### SECTION 1

##### **Business model**

There could be a loss in terms of the way Trimayr defines value. The company will no longer have its own salons in which it can experiment with new products and new styles. Trimayr will no longer be able to test new products in a range of salons and under normal commercial conditions without first seeking the support of franchise principals. Those principals may be reluctant to assist with such testing in case their customers are unhappy about being test subjects, especially if they are unhappy with the results of trying a new product or hairstyle. Trimayr's relationship with manufacturers of haircare products and with the fashion media might be damaged if the company is forced to become more risk averse with regard to new ideas. Customers may become bored with Trimayr if it cannot remain at the forefront of new developments. The loss of customers will reduce Trimayr's ability to claim royalties from franchised salons.

Trimayr captures residual value largely through requiring franchisees to finance growth through the creation of new salons. There will be no overall growth in the company if it exchanges 40 owned and operated salons for the same number of franchises. There is no indication of the planned use of the fees that will be charged for the acquisition of the divested salons. There will be no growth unless the funds are put to some good use. The alternative would be to seek further franchisees to establish new salons. That would generate additional fees, while enabling Trimayr to retain its own salons. Owning and operating 40 salons may be inconsistent with the business model, which focusses on franchising. However, Trimayr benefits from taking the entire profits of these salons. If it divests itself, it will be exchanging those profit for the royalties that will be payable by the franchisees.

## **Performance under franchise**

It is possible that part of the increase in profits is due to the incoming franchise principals being more motivated than the previous management team. If the managers of owned and operated salons are paid a fixed salary, regardless of the performance of their salons, then they may have very little incentive to maximise profits. They may also become risk averse because any negative outcomes could affect their careers. That suggests that Trimayr should pay closer attention to the motivation and remuneration of its staff, particularly middle managers such as salon managers.

It may be that the use of these salons for testing and experimenting with new products and new styling techniques is having a negative impact on performance. That is not necessarily indicative of a problem because some trials will prove unpopular and so it is to be expected that there will be a cost in terms of overall performance. It could be argued that any loss of profit due to this use of the salons represents good value for money. Trimayr should accept that there may be a cost to the development of useful intelligence. Ideally, Trimayr should review the increase in profit that has occurred in past divestments in order to estimate the potential impact that using the 40 salons for test purposes is having on profits. This should be supplemented by a review of social media posts and customer feedback in relation to those salons to check whether the lost profits imply that there could be some reputational damage that could affect franchised salons.

The Franchise Management Department should take care when advising principals of franchised salons because there is a possibility that the principals are better at running salons than their advisers from Franchise Management. It may be that Franchise Management offers a generic approach to managing salons, while franchisees pay closer attention to their business environment, allowing for their customer bases and local competition. Franchise Management could lose credibility if franchisees find themselves disagreeing with feedback. Even worse if they implement advice received and find that the performance of their salons deteriorates. Franchise Management should aim for a dialogue with franchise principals when reviewing salon performance. They should take any opinions expressed by franchisees seriously.

Salon performance is measured in terms of a variety of measures that may have complicated relationships with one another. Staff turnover could affect customer retention if salons are losing popular hairdressers to local competitors, who can then publicise the availability of those stylists. On the other hand, the loss of staff who are responsible for poor customer feedback may actually be desirable. Thus, care must be taken in the interpretation of these performance measures.

## SECTION 2

### **Benchmarking**

The first step would be to establish the new principals' expectations of benchmarking so that Franchise Management can meet their perceived needs. The decision on whether to focus on the 380 current franchises or the 40 salons that are being divested really depends on the way that principals will use this information. If franchisees plan to track their progress towards switching to a fully commercial basis, then it will make more sense to offer benchmarking against the other 39 salons that are being divested. That will enable franchisees to measure progress in adapting to the new style of operation. If franchisees wish to set long-term targets for their salons, then it would make more sense to benchmark against the 380 franchised salons in order to focus on potential profits.

Trimayr will have to respect the privacy of all franchisees whose data will be revealed by the benchmarking exercise. It is important to ensure that the company does not disclose information that is not covered by the franchise agreement. At present, Trimayr tracks salon performance in order to protect its own interests, such as encouraging franchisees to generate additional revenue to increase royalties. The provision of detailed figures that identifies variables such as floorspace and the number of hairdressing staff could be viewed as a breach of confidence and so could create conflict with franchisees. At the very least, Trimayr will have to seek permission from franchisees whose salons will be benchmarked against to ensure that they are willing to participate.

### **Selling prices**

The customers of these salons will be used to paying relatively low prices for mid-market hairdressing services. That creates the challenge arising from the decision whether to increase prices to more realistic midmarket rates. The salons will risk losing many of their existing regular customers, who may be annoyed if a significant increase is imposed for no apparent reasons. Customers in those salons will not have been aware that their prices were kept artificially low by Trimayr in order to maintain a steady flow of customers to act as test subjects. These customers could respond to any price increases by posting negative reviews to their social media accounts, thereby creating a potentially misleading impression that those salons are expensive in relation to mid-market competitors. It may be possible for the new franchisees to address that challenge by gradually increasing prices until they fall in line with those set by local salons in the same market sector.

It would be difficult for salon principals to experiment with price lists because there might not be an immediate and observable reaction to price increases. Customers may pay the increased price for their appointments but look for a less expensive replacement hairdresser for their next appointment, which might be 4-6 weeks later. It may take months before a franchisee realises that an increase in prices has been interpreted as excessive by customers and has caused a significant loss of revenue. It might be difficult for salons to reduce their prices once customers have switched to competitors. There is unlikely to be an efficient way for a salon to contact its customers to notify them that prices have been reduced. There is effectively a

ratchet effect on price increases because they will be difficult to reverse if they appear to have been excessive.

It can be difficult for customers to compare Trimayr's prices with those of competitors because different salons are aiming for different segments of the market. It appears that the owned and operated salons were providing a mid-market level of service at a discounted price. Customers will be able to find downmarket salons that were competitive with Trimayr's newly-franchised salons on price, but not necessarily on quality. Salons might suffer a temporary loss of business in the period immediately after a price increase, but customers might return some time later after receiving disappointing service from cheaper competitors. Unfortunately, it will be difficult for franchisees to know whether they can afford to risk persisting with a price increase in the hope that any loss of business will prove temporary.

## SECTION 3

### Negotiation

Potential buyers do not have to buy one of these salons as a going concern in order to become Trimayr franchisees. They can establish their own salons, which would probably be cheaper than buying a salon as a going concern. They might use that as a bargaining point, arguing that Trimayr is under greater pressure to sell these salons than new franchisees are to buy them. Franchisees can estimate the cost of establishing a new salon and compare that to Trimayr's proposed selling prices for the salons that are being divested. It could be argued that the only benefit of acquiring an existing salon as a going concern is that there will be an established workforce and customer base. It might be difficult for Trimayr to persuade potential buyers that such factors would be worth paying a great deal for.

Potential franchisees can threaten to establish franchised salons for one of the three rival mid-market brands that operate in Dazzland. A potential franchisee could apply for, say, a Fox and Tiffin franchise in the immediate vicinity of one of the owned and operated Trimayr salons that are being sold, putting that salon under pressure. A new salon in that vicinity might attract customers away from an established Trimayr salon. Establishing a new salon from a rival franchise would give the franchisee the advantage of being linked to an established brand, which might offer almost the same benefit of buying a going concern. Trimayr would still be able to sell its salons to other buyers, but there is no doubt that the threat of a rival franchises in their catchment areas could reduce the potential selling prices.

Trimayr's Franchise Recruitment Department will have to be careful not to oversell the advantages of purchasing a going concern because doing so could discourage future franchisees. If Trimayr sets a high selling price for the opportunity to acquire an established customer base, then it is effectively saying that it is difficult to attract customers to a new salon. The only possible advantage to acquiring a salon as a going concern is that the new franchisee can employ the salon's team of hairdressers, avoiding the need to recruit staff. It would be difficult to recruit staff from local rivals to a newly-established salon because they are likely to be subject to non-compete agreements in their contracts of employment. Again, pressing the advantages of being free to recruit staff in this way might create the impression that new salons struggle to recruit.

### ROCE

The ROCE ratio reflects transactions-based, historical performance by the salons. It could be argued that the time and effort invested by Franchise Management has created value in the form of goodwill that is not recognised anywhere in salon financial statements. Valuing the salons on the basis of ROCE alone could undervalue the businesses because they ignore the potential increase in goodwill. Potential buyers might argue that a salon requires a relatively small investment in hairdressing equipment and signage and that even a good return on that small investment implies a relatively small value for the salon business as a whole.

ROCE is a historical measure that reflects the salon's past performance. It may not be a good indicator of potential future performance. A new franchisee may be

motivated to attract new customers and to encourage them to spend more while in the salon. It will be difficult for Trimayr to argue that a franchisee will be able to generate a higher ROCE than the salon did while under the company's control.

There could be problems with the use of book values for equipment and signage. Franchise Management will base its figures on historical costs, adjusted for depreciation. Depreciation will be based on an estimated useful life for the assets. Any error in that estimate could affect both the numerator and denominator of the ROCE ratio, which could create a misleading impression of the salon's performance. Trimayr could be subject to bad publicity and claims for compensation if it is revealed that the salon's price is based on a misleading statistic.



## SECTION 4

### Business risks

The product reputation risk arises from the fact that the 40 salons represent almost 10% of the total number of Trimayr Pop salons in existence. These salons will have an established customer base who may have come to expect high standards of styling and hair treatment because Trimayr is likely to have set high standards in its owned and operated salons. It is possible that the franchisees who take these salons over will fail to achieve the previous high standards, which could lead to a significant number of disappointed customers. That could create negative feedback on any reviews posted online after a negative experience of visiting a newly-franchised salon. It might be difficult to persuade the new franchisees to operate their salons to the same high standard as was applied by Trimayr because franchisees may be reluctant to buy the businesses if they are to be held to a higher standard of quality than the normal franchises.

The sale of a business will always create contractual inadequacy risks. The new owners of the salons will have an opportunity to study exactly what they have purchased. They may seek compensation if they feel that their salons do not live up to expectations. For example, the owners may claim to have been misled if revenues decline for any reason after the purchase. They may feel that some material information has been withheld, causing them to overpay. If the concerns raised at this time have not been covered in the purchase contract, then there may be an incentive to take Trimayr to court. Any lack of clarity could create a significant distraction for Trimayr's Board. There may also be substantial legal fees associated with defending any such claim. This could lead to negative publicity which might affect Trimayr's ability to grow and open new salons. Potential franchisees could be discouraged by concerns that they will be mistreated if they enter into a contract with the company.

### Debt repayment

Debt is cheaper than equity, but it would still be unwise to leave the full debt outstanding if the borrowed funds are not being used. Trimayr currently has D\$85m outstanding and pays interest of D\$6.8m. Repaying D\$20m will reduce the loan by  $D\$20m / D\$85m = 24\%$  and will create an annual saving of D\$1.6m. It would be possible to keep the D\$20m in an interest-bearing account, but it is unlikely that Trimayr would be able to find a bank that would pay a higher rate of interest than the rate charged on borrowings. There would, therefore, be a net cost associated with depositing the funds in the bank instead of making a partial repayment. The quickest and most effective way to rectify this would be to make a partial repayment of the loan, provided the loan conditions permit early repayments.

The repayment will enhance Trimayr's flexibility in the future. At present, Trimayr's gearing ratio is fairly high, at  $85.0 / (100.1 + 85.0) = 46\%$ . The repayment will reduce gearing to  $65.0 / (100.1 + 65.0) = 39\%$ , which is still fairly high, but is still a decrease. This repayment will effectively represent the release of some of Trimayr's debt capacity. If the company requires funds for expansion in the future, then it will find it easier to negotiate a further loan if its gearing ratio has been reduced. Arguably, the

divestment of the salons will increase Trimayr's equity if it makes a profit on the sale, so gearing will be reduced even further.

Having a gearing ratio of 46% will make the returns available to shareholders more volatile, especially if there is a decrease in operating profit. If Trimayr's operating profit decreases by, say, 10% to D\$66.7m, the finance costs will still have to be paid in full, leaving profit before tax of D\$59.9. That means that there will be a disproportionate decrease in profit before tax of  $(D\$67.3 - 59.9) / D\$67.3 = 11\%$ . Reducing the gearing will reduce the overall volatility of the returns available to shareholders. The risks arising from that volatility may be acceptable to Trimayr's Board and its shareholders, but there is no point in bearing those risks in full if there is a cash surplus that can be used to make a partial loan repayment.

## Management Case Study

May & August 2025

### Exam Answers

#### Variant 3

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#### SECTION 1

##### **Leadership style**

The new Head will face significant challenges with respect to the leadership of the hairdressing courses. The previous Head held this post for 27 years and had been Head since the Academy was founded. The experienced hairdressers who facilitate training will almost certainly have attended the college under the former Head's management as apprentices and while receiving advanced training. It may be difficult for the replacement trainer to establish a clear direction for hairdressing training because the trainers will be used to the previous approach and will act accordingly.

There is also the concern that hairdressing trainers are seconded to the Academy for relatively short periods, so there will be a constant turnover of training staff. It is important to ensure that incoming trainers are provided with clear instructions in order to minimise disruption.

Ideally, the replacement Head of School should demonstrate an authoritarian style of leadership. Doing so will assert a clear sense of direction for Trimayr's approach to hairdressing. Taking control in this way will stress the need for fresh ideas and new approaches to hairdressing to be under constant development. This style will also establish a clear culture within the Academy that will enable newly-recruited trainers to adapt quickly, so that there is a consistent approach to training.

Business training creates a different set of challenges for the new Head of School. New franchise principals must be educated in the business aspects of running a Trimayr salon. The content of such courses is much less dynamic than for hairdressing. The business trainers are permanent staff who will undoubtedly be working to a specific syllabus, using course materials that have been developed to meet Trimayr's requirements. Whenever trainers depart for any reason, the Academy can advertise and interview for replacements, who will adopt a similar style that is consistent with the Academy's culture for business training.

It would make sense for the Head of School to adopt a participative style of leadership for the management of business training, discussing course content and teaching methods with the trainers. The Head of School will almost certainly regard business training as secondary to hairdressing and so it will make sense to make use of the business trainers' expertise by seeking their advice. A participative style will reduce the risk of the Head discouraging business trainers by interfering with training in areas that the Head does not fully understand. This style of leadership will enable the Head of School to take responsibility for all aspects of the training that is being provided, while ensuring good quality.

### **Business intelligence system**

The Business Intelligence System (BIS) can be used to analyse data that has been collected by Trimayr, creating reports that had not necessarily been foreseen when the system was developed. Trimayr could use its BIS to determine the key words and phrases that are associated with positive customer feedback in order to identify the characteristics of an excellent hairdresser. Ideally, Trimayr will be able to identify and rank important skills that customers refer to in their feedback, such as styling skills, the quality of recommendations or interpersonal skills. It would make sense to look for such characteristics from applicants for the post of Head of School, either internal or external. The BIS could, for example, indicate that consistency in styling hair is more important than, say, being at the forefront of fashion. The interview panel could use the output from the BIS to draft interview questions that might be asked of all candidates.

The BIS might also be used to evaluate potential internal candidates who have passed through the Academy as trainers. One possibility would be to identify trainers who have obtained consistently high student evaluations from course participants. The BIS would also allow for more complex analysis, such as looking for a relationship between trainers' evaluations of course participants and customer feedback on those apprentices and hairdressers after they have returned to their salons. The purpose of such an analysis would be to identify trainers who have shown themselves to be capable of adding value to salons through their ability to provide effective tuition. It would be sensible to shortlist trainers who have shown themselves to be competent for consideration as Head of School.

## SECTION 2

### **Business model**

Trimayr defines value largely through supporting stakeholders. The increased use of volunteers will make it easier for Trimayr's training to support the company's stakeholders in the hairdressing industry, particularly manufacturers. Hairdressers responsible for training apprentices in salons may be reluctant to give apprentices the opportunity to perform tasks such as colouring and straightening with new products because they may not achieve an acceptable result. Building the use of new products into training at the Academy will give apprentices under training greater confidence in their use. They will also be more confident in making and supporting recommendations to paying customers. Those apprentices will also be better equipped to advise colleagues on the use of new products in their salons when they return to normal duties after the completion of their courses. Increased use of new products will also enable Trimayr to provide manufacturers with feedback on customer response on their satisfaction with the results and the hairdressers' experience of the application.

Trimayr creates value by encouraging repeat business and customer loyalty. Providing additional practical training will also enhance the quality of work that Trimayr claims because apprentices will have additional training at the Academy, which will enable them to be more effective while working in their salons. One disadvantage of customer loyalty is that salon staff may encourage customers to keep their current hairstyles rather than offering recommendations for change. Customers may become bored with having the same style and might be tempted to go to rival salons in search of a change. Training apprentices to work on volunteers at the Academy will require them to work on a succession of new models and that could include recommending changes that might be improvements. The fact that volunteers are not paying for their appointment might encourage them to agree to experiment and so enhance apprentices' training in challenging customers.

### **Business risks**

There is a high risk that it will be difficult to recruit additional volunteers. The fact that Joss plans to offer to reimburse bus fares as an incentive suggests that Trimayr will have to find a new catchment area from which to recruit volunteers. The fact that new volunteers will have to travel in from further suggests that it is unlikely that the existing volunteers can encourage sufficient friends and neighbours to participate because that route has been exhausted.

It may be difficult to attract new volunteers because there are other ways to obtain hairdressing services at little or no cost. Rival salon chains are likely to have their own versions of the Trimayr Academy and will also be competing for volunteers to enable their apprentices to practice. These rivals might be seeking volunteers from the same catchment area.

There are also large numbers of independent salons that offer inexpensive hairdressing services. Even downmarket salons are likely to use experienced hairdressers, which could be preferable to being treated by an apprentice.

It may be difficult for Trimayr to advertise the availability of free hairdressing services without undermining the reputation of its salons. Customers might be concerned that the company has so little confidence in its apprentices that it has to give their services away. Despite that, they may have their hair styled by an apprentice when they pay for an appointment at a salon.

There could be significant problems arising from any lack of understanding of the contract between Trimayr and its volunteers. One concern would be that apprentices can range in experience, from an absolute beginner to a final-year apprentice who is on the brink of qualifying. Volunteers may be unhappy if they are assigned to absolute beginners in whom they have little confidence, but Trimayr must be able to offer all apprentices some practical experience.

The volunteers may also expect to be free to specify any treatment, such as perming or dyeing their hair, but Trimayr may not necessarily be willing or able to offer more than basic services or may charge more for additional treatments. It could be difficult to ensure that volunteers are fully aware of the treatments that are available in the context of their appointments, especially if bookings are made by telephone and so there is no written record.

Customers who are given more expensive treatments during a volunteer session may expect to have that treatment repeated at all subsequent appointments and may be unhappy if that treatment is withheld. The fact that colouring, straightening and other treatments grows out over time means that volunteers may be forced to have their hair cropped short if further treatment is not available.

Volunteers might not fully appreciate the risks associated with being treated by inexperienced apprentices, who may make a poor job of styling their hair. There could be adverse consequences to having a poor haircut, such as having a scruffy appearance during a job interview. The Academy may offer to have an experienced hairdresser rectify any damage, but there is no guarantee that it will be possible to recut the volunteer's hair so that it is smart.



## SECTION 3

### Funding investment

Debt is generally less expensive than equity because debt holders are taking less of a risk than equity investors. Loan interest is also an allowable expense for tax purposes. Lenders are entitled to receive interest and capital payments that have been agreed in the loan agreement. Penalties can be charged if any payments are delayed.

Loans are normally secured against the company's assets, which is the source of much of the lender's security. Unfortunately, some of Trimayr's existing property is leased rather than owned by the company. Trimayr cannot pledge leased assets as security because they belong to the lessors. There is also a concern that the new assets that will be acquired using this funding will be unsuitable as security because they are of a specialised nature that may make them difficult to sell on the open market. The money will be used to convert and equip spaces in the Academy to create hairdressing salons. If Trimayr defaults on this loan, the lender may struggle to find a buyer who will pay enough to cover the outstanding debt.

Increasing borrowing increases gearing, which increases the risk faced by Trimayr's shareholders. At present, the company's gearing is  $\text{D\$85.0m} / (\text{D\$85.0m} + \text{D\$100.1m}) = 46\%$ . Taking out a D\$28m loan will increase the ratio to  $(\text{D\$85.0} + \text{D\$28.0}) / (\text{D\$85.0m} + \text{D\$28.0m} + \text{D\$100.1m}) = 53\%$ .

Apart from risks increasing the required rate of return, issuing equity instruments usually involves increased administration costs compared to debt. It will cost Trimayr a significant amount in legal and other fees to organise a rights issue to raise these funds. It may also take longer to complete a rights issue than to negotiate a further loan and so there might be an unacceptable delay in the completion of the conversion work on the Academy building.

Hopefully, Trimayr's shareholders will be encouraged by the appointment of a new Head of School at the Academy and so will regard the conversion work as a positive NPV investment that will increase their wealth. The weak security will be less of a concern for the shareholders because they would be unlikely to benefit from the disposal of the building in the event that Trimayr runs into financial difficulties.

Issuing equity will reduce Trimayr's gearing from 46% to  $\text{D\$85.0m} / (\text{D\$85.0m} + \text{D\$100.1m} + \text{D\$28.0m}) = 40\%$ . That is a significant reduction that will also create additional debt capacity for Trimayr to borrow in the event that it requires to raise additional loans in the future.

### Investment centre

The new Head of School has a very strong vision for the future of the Academy that requires significant additional investment. Establishing the Academy as an investment centre will both encourage the new Head and will make her accountable for any funds that will be made available to her.

Supporting the new Head's vision at this early stage will allow her to make plans that are consistent with her vision. The plans for change include operating the Academy on a commercial basis, with charges being made to franchised salons for staff training. If the Academy is an investment centre, then it will be expected to generate both profit and a return on investment.

The new Head of School is clearly an expert in hairdressing and in training, but she is not necessarily skilled in the appraisal of investment opportunities. Giving the Head a substantial investment budget could lead to major investments that provide little or nothing in the way of net benefits from a business perspective. The tone of her proposal suggests that the initial investment of D\$28.0m will be the first of many investments that will be made in improvements. It may be more responsible for the Academy to be established as a profit centre and for the Head to recommend investments to the Board, with the Board making final decisions. There is also a risk that other senior managers will be demotivated by the fact that the newly-appointed Head of School has been given responsibility for an investment centre while their authority has been restricted to cost centres.

## SECTION 4

### **Performance indicators**

The number of hairdressing staff who have successfully completed scheduled training courses in a reporting period should be reported. That will give some insight into the Academy's productivity. The Board will be able to tell whether that productivity is changing over time. Reporting periods should coincide with the length of courses, to simplify reporting and also to reduce the risk of manipulation. If, say, apprentices are supposed to receive 3 months of full-time training at the academy, then the Academy should report on those courses on a quarterly basis. Successful completion should be determined by the training staff, who should provide each trainee's salon principal with a report on the trainee's performance and the skills that have been mastered. Salon principals should be encouraged to feed back with any concerns about reports on their staff. It should be apparent to salon staff whether an apprentice actually has the skills that the Academy's trainers have certified.

It would be sensible to measure the retention rate for the volunteers who have been provided with hairdressing services by the Academy. If volunteers are willing to maintain their relationship with the Academy, then they must be reasonably satisfied with the quality of the service that they receive. If volunteers are not returning, despite the fact that the service they receive is provided free of charge, then there is reason to believe that trainees are not being properly trained or supervised. The retention rate could also support feedback from customers in the form of satisfaction scores submitted at the ends of their appointments. Customers may be reluctant to give young apprentices poor scores. Returning to the Academy will confirm any positive feedback that they provide in questionnaires.

### **Integrated report**

Trimayr enjoys intellectual capital. There will be a limited benefit in the form of copyrights in course content and licences to use software in the Academy. The integrated report can identify such assets and offer an overview of their usefulness to the company. Trimayr also has experience of organising training, the selection and support of trainers and of meeting salons' needs for staff training. This understanding enables Trimayr to make efficient use of the resources invested in the Academy. It also enables training to be organised and delivered in a cost-effective manner.

The Academy helps Trimayr to create human capital. Apprentices are being provided with valuable training that will equip them for a career in hairdressing. That provision will help develop staff loyalty and the ability to retain these employees once they qualify. The Academy also provides hairdressing staff at all levels with the specific competencies that are required to enable them to deliver the latest styles and innovative new treatments. The operation of the Academy will enable trainers and other salon staff to collaborate on the skills required of hairdressers in order to implement the Board's strategies for hairdressing services.

Trimayr is very much a service business and so its strategy depends on developing and maintaining the skills that are required by its staff. Centralising training in the Academy will require formal decisions to be taken concerning course content and the need for updates in skills.

The Academy provides social and relationship capital through its support for various stakeholders. For example, members of the local community benefit from the provision of free hairdressing services for people who might otherwise be unable to afford them. If manufacturers release any new products that are significantly different from the current treatments, then they can rely on the Academy to arrange training for senior hairdressers, who can return to their salons and pass on the benefit of that training to colleagues. The provision of core training will encourage consistency between Trimayr's salons, which will enable customers to be confident in the quality of the service that they will receive. A great deal can go wrong in hairdressing, including the risk of damage to customers' hair or even injuries. The Academy's training will help maintain customer trust. Hairdressers and apprentices will learn to share Trimayr's values, which is particularly important because these staff will not work directly for the company. can be used to make a partial loan repayment.

## Management Case Study

May & August 2025

### Exam Answers

#### Variant 4

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#### SECTION 1

##### **Responsibility centre**

It would be logical to establish Glaxus as a profit centre once it becomes part of the Trimayr Group. That would give Glaxus' management team an incentive to manage product quality and also manufacturing costs. If Glaxus can maintain product quality, then Trimayr salons will continue to sell in high volumes. That will boost Glaxus' profits. Managing costs will help maximise profits and so Glaxus will be able to demonstrate that it is making a solid contribution to the Group. Glaxus will have less of an incentive to perform well if it is organised as a cost centre because the management team will receive no direct credit for sales. Establishing Glaxus as an investment centre might give the management team too much discretion over the acquisition of plant and equipment.

If Glaxus is a profit centre, then it will be easier to determine the subsidiary's profits for tax purposes. The tax authorities in Jayland may be suspicious of the figures reported by Glaxus, especially if the company is reporting lower profits since being taken over. Pricing sales on the same basis, as was used previously for normal commercial sales to Trimayr salons, will simplify reporting in Glaxus' home country. If the tax authorities become suspicious, then Trimayr may face an investigation that will distract management from running the company. The fact that the company is reporting profits will also reassure Glaxus' employees, who may have been nervous about the possibility of being made redundant after being taken over.

##### **Foreign subsidiary**

After its acquisition, Glaxus will have to be accounted for as a subsidiary in accordance with IAS 21 *The effects of changes in foreign exchange rates*. Glaxus' financial statements will be prepared in J\$ and will have to be translated to D\$ before they can be consolidated into the Trimayr Group. Glaxus' assets and liabilities and goodwill will be translated at the closing rate, the exchange rate between the D\$ and

J\$ as at the 31 December of each year. Changes from one year end to the next will affect the value of these balances and so will create currency gains or losses. The bigger the movement in exchange rates, the greater the gain or loss.

Currency gains or losses on assets, liabilities and goodwill will be recognised in the Trimayr Group's other comprehensive income. There will be no direct impact on the reported profit. These gains and losses will also be reflected in Trimayr's equity in the currency reserve account. While movements in this balance will have no impact on profit or retained earnings, gains and losses will affect the total value of equity. Shareholders may be concerned that their equity has decreased because of a movement that has been described as a loss. At the borderline, movements in currency could affect the gearing ratio, which could have an impact on Trimayr's borrowing capacity.

Glaxus' statement of profit or loss will be prepared in J\$. Income and expenses figures will be translated to D\$ at the average exchange rate for the year. If we ignore the possibility that movements in exchange rates will affect Glaxus' sales volume, there is still the possibility that a weakening of the J\$ will reduce the reported profit of the Trimayr Group. The use of the average rate for the year means that this is unlikely to have a significant impact. The rate will have to change by a large and persistent amount to alter the impact on group profit by a material amount. The acquisition will, hopefully, increase the Group's overall profit. At present, Trimayr purchases Glaxus' products for resale to franchised salons. Acquiring Glaxus as a subsidiary means that the Group will benefit from the profit made from the manufacture of these products.



## SECTION 2

Technology is disruptive if it creates a fundamental change in an existing business model. Scan40 will change the relationship between Trimayr and its franchised salons because salons may feel obliged to invest in the Scan40 technology. The fact that Scan40 will be promoted heavily after it becomes available will leave salon principals concerned that customers might gravitate away from salons that do not have Scan40. That concern means that the new technology is effectively a compulsory purchase, even if the standard franchise agreement does not compel franchisees to make such investments.

Scan40 may simplify inventory management for participating salons because they will buy ingredients in bulk. Those ingredients will then be mixed as required to make products for use or for sale. Those bulk ingredients will be easier to store than bottles of readymade products, with separate inventories for each hair type. Hairdressing staff will require additional training to operate the scanners and to mix and bottle ingredients.

Scan40 will change the relationship between salons and those customers who choose to buy Scan40 products. They may feel reluctant to switch to rival salons because they will be unable to buy their personalised haircare products. They may also feel that they receive better care from their Trimayr salon because hairdressing staff will be able to refer to their scan results and so will know more about their hair types.

It could be argued that Scan40 will have little real impact on the basic business arrangements and will stay the same. Glaxus will continue to sell haircare products to Trimayr for resale to salons. The only difference is that there will be a wider range of items because ingredients will be sold alongside readymade products.

The impact of this new technology on the relationship between Trimayr and its franchised salons will depend on expectations of the popularity of Scan40. A large proportion of salon principals might be sceptical about demand for Scan40 and so may decide not to invest in the new technology. Trimayr might then be forced to avoid promoting this new technology too aggressively because it might drive customers away from a large number of its franchised salons.

Customers might not be convinced that Scan40 represents good value for money. The technology requires them to make a fairly significant investment in a scan and an initial purchase of Scan40 products. If they are disappointed with the results, then they might switch back to Classic products or return to whatever products they bought previously.

### **Accounting treatment**

Salons should account for the D\$100 charged for scans in accordance with IFRS 15 *Revenue from contracts with customers*. The starting point will be to identify the nature of the agreement between the salons and customers who buy scans. It would appear that the salon is expected to store the scan results and to use those to manufacture tailored haircare products for the next 3 years. The contract will effectively come to an end after that period has elapsed because the customer's hair

type may have changed sufficiently to require a further scan. The provision of tailored haircare products based on the scan results is effectively a separate matter for the salon. Customers may or may not choose to buy these products.

Salons should credit the D\$100 to a deferred income account whenever it is received from the customer. That sum should be transferred to the statement of profit or loss over the next 3 years by debiting deferred income and crediting revenue. The proportion of the balance to be transferred should be calculated on the basis of time. If the customer's scan is 3 months before the year end, then the salon should recognise  $0.25/3 \times \text{D\$}100 = \text{D\$}8.33$  in the financial year in which the sale occurred,  $1/3 \times \text{D\$}100 = \text{D\$}33.33$  in the following year and so on. The balance on the deferred income account should appear in the statement of financial position as a liability, split between current and non-current as appropriate. Any sales of Scan40 haircare products should be treated as normal transactions, recognising both the revenue and cost of sales in full.

## SECTION 3

### **Selling price**

The scanner's design creates the dilemma that customers are unlikely to be impressed by the sight and sound of the cheapest design if they are to spend D\$100 for their hair to be scanned. The use of a metal case and silent mechanical parts will almost certainly make the whole process seem more credible, but it will increase the cost of a scan by 30%, which will also discourage customers. There are also potential concerns associated with having the cheapest version of the scanner in operation in salons, given that it might annoy customers regardless of whether they are interested in Scan40. Given that this is a new product, it is difficult to tell whether customers will be prepared to tolerate the additional D\$30 for a scan conducted using a more attractive machine. It might be possible to address that problem by using focus groups of customers to evaluate prototype scanners using different combinations of cases and mechanical parts.

Packaging can have a role to play in determining buying decisions for beauty products, including haircare. Having said that, customers will probably have made their buying decisions before they see the final product. Salon staff will mix and bottle their products and hand them to them at the conclusion of the transaction. The problem is that cheap packaging that relies on self-adhesive labels may discourage future sales if customers are unhappy with the appearance of their Scan40 products when they are stored on their bathroom shelves. That could lead to misleading patterns in demand, with healthy initial sales that are followed by a steady decline. Salon customers may have lost all interest in Salon40 by the time any problems arising from the packaging are identified.

### **Project team**

The Board will have to ensure that the project's objectives are clearly understood and that the project team is clear with regard to the constraints that must be met. It is important to set a clear deadline for the team's report with its recommendations, otherwise the launch of Scan40 could be delayed. There may be other constraints, such as an upper limit on the cost of the scanner and each unit of packaging. Setting such clear objectives will ensure that the skills required on the project team are understood and so appropriate project team members can be selected. They will provide the project team with criteria that can be used to establish whether the project team's recommendations are ready for submission to the Board or the senior management team.

Design choices will have to be ranked in terms of importance so that the most suitable project manager can be identified. For example, if the Board believes that cost is the most important factor, then it might be sensible to select a project manager from a management accounting background. The project leader would then be responsible for working towards designs that meet cost limits, while taking account of input from fellow team members to ensure that sufficient attention is paid to other business issues. It may be worth considering establishing two project teams, one for the scanner and the other for the packaging. It could be argued that the

primary issues for the scanner relate to engineering matters, while the packaging requires a focus on marketing.

The Board will have to ensure that the project team has adequate resources, particularly in terms of staffing. Arrangements will have to be made with managers to release staff for project meetings and to undertake work in relation to the project. Team members will have to be briefed on their priorities with regard to the project and their ongoing responsibilities in their normal roles. Staff members will have to be sufficiently experienced and senior to be qualified to speak for their departments in relation to the project. It may be appropriate for the Board to request specific employees to work on the project, otherwise departmental managers might be tempted to select junior staff whose absence will not lead to problems.

## SECTION 4

### **Business risks**

The reputation of Trimayr's salons could be badly damaged if customers become aware that salons are using supermarket products instead of the exclusive Trimayr-branded products. That damage could affect all salons, including upmarket Sheen salons, even though the practice is restricted to only some salons. Customers will feel that they are paying a substantial amount for hairdressing and that they are entitled to be styled and treated with the products that they are paying for. The alleged excuse that customers do not notice the difference will further damage Trimayr's reputation. The company has claimed that its branded products improve the health and appearance of customers' hair. Arguing that ordinary retail products have the same benefits will further undermine trust.

There is a strong possibility that the press will discover this abuse and will direct significant adverse publicity at Trimayr. Hairdressers at the affected salons will be aware that they are not using Trimayr-branded products and they could leak that information. Trimayr is a prominent business and so editors are likely to regard this story as newsworthy.

Trimayr's inability to enforce a fairly significant term of its franchise agreement is a major concern. It appears that there are inadequate sanctions in relation to breaches of the agreement. Salons are using unauthorised haircare products, despite the fact that Franchise Management carries out regular inspection visits and so are likely to notice products that are not from the Trimayr brand. Trimayr operates a chain of salons that are marketed on the basis that they offer customers a consistently high standard of service. It is important that Trimayr is able to set consistent standards across its salons and the ability to do that depends on its ability to enforce its franchise agreements.

The salons that have purchased supermarket products were willing to commit a fairly major breach of their franchise agreements, which suggests that sanctions are limited. In theory, Trimayr could withdraw their franchises, but that would mean a loss of royalties and profits from the sale of branded products. It would also mean bad publicity. The salon principals might be tempted to commit further and more serious breaches on the grounds that they do not believe that Trimayr can do much in response.

### **Transfer prices**

Presumably, Glaxus priced its products in J\$ when it was an independent company that supplied Trimayr with haircare products. That suggests that the volatility in exchange rates was tolerable because periods when the J\$ was strong were compensated for by periods when it was weak and so prices to salons were reduced. It is unlikely that the additional cost of products such as shampoo that is used when styling customers' hair will be intolerable, so pricing product in J\$ will be sustainable in relation to hairdressing. The dysfunctional behaviour by salons in buying from supermarkets was probably indicative of greed rather than serious problems due to

exchange rates. It could be argued that pricing in J\$ simplifies Glaxus' operations because it incurs costs in J\$ and so enables the subsidiary to manage its cash flows more effectively.

Setting selling prices in D\$ will create risks for Glaxus, particularly during any extended periods when the J\$ is weak. During any such periods, the company may be forced to sell products at a loss, which will create the risk that the company will run into liquidity problems. That problem could be addressed by having Trimayr offer financial support during periods when the D\$ is strong, perhaps in the form of interest free loans to deal with cash flow problems. Setting prices in D\$ will lead to greater consistency in the prices charged to salons, which will assist Glaxus in scheduling production. It will also enable salons to set more consistent prices of haircare products for resale to customers. That will probably increase sales because customers may be reluctant to accept significant changes in price lists.



## Management Case Study

May & August 2025

### Exam Answers

#### Variant 5

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

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

#### SECTION 1

##### Key ratios

The average total sales per hairdresser would be a useful statistic because it would indicate the overall success of hairdressing staff in making sales to customers. Ideally, salon staff will encourage customers to consider additional treatments, such as having their hair permed instead of just styled. Total sales benefit Trimayr both through the royalties on revenue from hairdressing and from profits on the sale of products. They will also attempt to sell Trimayr-branded haircare products, using the hairdressing appointment to persuade them that the products are high quality. The ratio could be analysed monthly, so that any trends are identified and addressed as quickly as possible. In particular, salon principals should be alerted in case of any reduction in revenue per hairdresser.

The capacity utilisation of each salon would be an important measure of performance. The percentage of chairs that are filled indicates how effective the salon is in maximising revenue from hairdressing. Busy salons will create a positive atmosphere that will encourage customers to return. This is probably best calculated as an annual ratio because there could be seasonal factors, such as holiday periods, that affect demand. There could also be a risk of overreactions to any monthly movements in capacity utilisation, such as dismissing hairdressing staff in response to a month of poor performance. Salon principals might be open to encouragement to expand, possibly by moving to larger premises, if they are operating close to full capacity on an annual basis. That would benefit Trimayr because of increased royalties.

The percentage of total revenue from hairdressing versus haircare products would be a useful indicator because it would be useful to know how much revenue comes from each stream. Trimayr benefits from both, but knowing the relative importance of each will help with planning and with advising salon principals. Knowing whether a particular salon's customers prefer to spend on hairdressing or products will make it easier for principals to brief their staff and to lay out their salons accordingly. This

would make sense for analysis on an annual basis because of the possibility that spending habits might change because of seasonal factors. A monthly statistic might encourage salons to make frequent and disruptive changes, rather than a considered change of emphasis that reflects the customer base.

### **Salon selling prices**

Permitting individual salons freedom to set their own prices will enable them to reflect local market conditions in their pricing. Salons located in areas with high competition will be able to avoid losing customers through overpricing, while those that have less competition will be able to avoid the opportunity cost associated with underpricing. There is no particular advantage in Trimayr offering a standard price list that applies to all salons because each salon will have its own designated catchment area, so there will be little or no competition between salons. Salon principals are encouraged to view their salons as independent businesses, with considerable discretion in how they are managed. They might be discouraged by any decision by Trimayr to set prices centrally. Salon principals may also have to reflect local operating costs in their pricing. It might be expensive to lease salon premises in some towns and those additional costs may have to be recovered through higher selling prices.

Salon principals come from a wide range of backgrounds and have varying levels of management training. Some could unwittingly set unrealistic prices. Trimayr's royalties could suffer if individual salon prices are not optimal because Franchise Management cannot do more than advise principals. There could be local confusion if Trimayr Sheen salons set low prices that are only slightly higher than nearby Trimayr Pop salons, creating competition between the brands at local level. Online reviews of Trimayr haircare products could be confusing if there are significant differences in the prices quoted for specific products. Salons might start to compete on price, with those charging less selling on a mail-order basis.

## SECTION 2

### **BIS**

One important use of BIS is the creation of reports based on data sets that were not designed with the report in mind. Trimayr could use its BIS to create comparative satisfaction scores showing the average ratings for Trimayr and those of rival hairdressing chains. Such a report would offer an insight into the overall reputation of Trimayr and that of its rivals. That would be helpful in designing marketing campaigns and other promotional activities. In particular, marketing activities can be tailored to address impressions that customers might obtain from reading online reviews of Trimayr and its competitors. Analysing feedback for key words in relation to the service might provide Trimayr with information about the reasons for it leading or lagging behind rivals with respect to popularity.

The BIS could also be used to analyse scores awarded to specific salons in particular locations, which would enable Franchise Management to advise individual salon principals about their competition. The BIS could analyse reviews submitted in each salon's immediate rivals, both members of rival chains and independent salons. Average scores submitted by customers can be broken down to establish specific issues that appear to be driving feedback. For example, customers in a particular town might regard price and value for money as a key factor. Franchise Management could provide salon principals with detailed feedback on the areas where they appear to be in danger of losing customers to nearby rivals. These scores can be tracked over time in order to establish whether initiatives taken by principals are proving effective in addressing feedback.

### **Staff**

Empowering staff might be difficult because the responsibility for customer contact will lie largely with junior staff, such as apprentices staffing reception and preparing customers to have their hair styled. Inexperienced staff could make illogical decisions that cause more problems than they resolve. For example, a 10% discount on a hairdressing appointment could prove to be an expensive response to a customer complaint. Customers may learn to exaggerate their dissatisfaction in relation to any complaint in the expectation that they will receive substantial compensation. It may be more efficient to require staff to inform the salon manager of any problems that require a response.

Staff may be reluctant to engage with unhappy customers because dealing with customer complaints may prove stressful. Attempting to resolve problems could lead to staff becoming implicated in the complaint, even though they were not directly involved in the cause of the complaint. In Lori's example, an apprentice has attempted to address a problem that was created in the first instance by a hairdresser who was unavailable at the time of the customer's appointment. By involving herself, the apprentice is risking becoming part of the complaint, which could also lead to dysfunctional behaviour with regard to the resolution. The apprentice has made significant concessions in order to assist the customer.

Focussing on empowering and engaging staff to address any failures in customer service creates a potentially dangerous attitude because staff will be left with the

impression that errors can be resolved by apologising and/or compensating customers. In the example provided by Lori, it is clear that the customer still gave a very negative review despite the apprentice's prompt action. The customer has made a replacement appointment, but that could be due to the offer of a 10% discount. Trimayr may still have lost all potential repeat business from that customer and the customer might still spread negative feedback by word of mouth to friends and relatives. It would be preferable to train staff to take greater care to avoid creating cause for complaint so that Trimayr has a reputation for excellent quality of service.

## SECTION 3

### Debt and equity

Debt is the cheaper of the two alternatives. Lenders are not directly exposed to business risks because they are still entitled to their interest and loan repayments in accordance with the terms of the loan agreement, even if the borrower makes a loss. The value of that protection is partly due to the borrower's ability to provide the lender with security. In this case, D\$20m will be invested in the property that will house the salons while the remaining D\$10m will be spent on decorating the salons in Trimayr's house style. That means that a significant proportion of the loan will be backed by property, although the D\$10m spent on decoration will have no value to a lender in the event of default. Shareholders are exposed to all business risks and so they require a higher rate of return than lenders in order to compensate for the risks that are being taken. Loan interest is also treated as an expense for tax purposes, which further reduces the cost of borrowing in comparison to equity.

Borrowing can also have an impact on the risks borne by shareholders, which could affect shareholder wealth. At present, Trimayr has a gearing ratio of  $\text{D\$85.0m} / (\text{D\$85.0m} + \text{D\$100.1m}) = 46\%$ , which is relatively high. Borrowing a further D\$30m will increase gearing to  $(\text{D\$85.0} + \text{D\$30.0m}) / (\text{D\$85.0} + \text{D\$30.0m} + \text{D\$100.1m}) = 53\%$ , which may be high enough to concern shareholders.

Equity could be raised by a rights issue, which would enable existing shareholders to contribute additional investment in shares without diluting their existing investment. The shareholders would be exposed to the business risks associated with this new investment, but those risks would be largely known and understood, which might mitigate the additional risk. Trimayr has experience of managing salons through franchisees and so the shareholders can view this venture as an expansion of the existing business.

Issuing equity tends to take longer than borrowing because of the additional procedures that have to be completed. That is unlikely to be a major issue in this case because there is no great urgency to establish the new salons.

Raising the funds using equity will reduce the gearing ratio from 46% to  $\text{D\$85.0} / (\text{D\$85.0} + \text{D\$30.0m} + \text{D\$100.1m}) = 40\%$ . That will reduce the volatility in shareholder returns. It will also create additional borrowing capacity in the event that fresh opportunities arise. Apart from lowering gearing, the investment will leave Trimayr with D\$20m of property that can be pledged as security against further borrowing.

Overall, the disadvantages of equity are not significant, so it would probably make more sense to issue shares to fund this investment.

### Investment centre

The 20 new salons will require funds to be available to allow for experimentation with new ideas in order to justify their acquisition. Otherwise, it would make more sense for Trimayr to have found 20 additional franchisees to fund the creation of the salons. Having the freedom to move quickly on these investments may be necessary because of the possibility that rivals could obtain a competitive advantage by moving

more quickly. Experimentation will be an ongoing process and so it would be logical to provide the management team with a realistic annual budget that can be drawn upon as and when required. That will enable new ideas that emerge from trials to be put into practice quickly.

The Franchise Management team in charge of the 20 salons could be tempted to overspend on investments in order to create the impression of activity. It would be possible to argue that heavy investment in the salons implies that the department has been innovative and is experimenting with new ideas. There could also be the risk of dysfunctional activity if the normal operations of the salons is disappointing. Investing in changes could give the management team an excuse for this disappointment. Creating a budget might put the management team under pressure to spend more on capital-intensive activities, which could be dysfunctional. The availability of funds could discourage the team from trying out ideas that do not require investments. For example, changing salon opening hours or switching to better quality tea and coffee for customers would not require capital investment.



## SECTION 4

### Identifying talent

Franchise Management might evaluate each salon's contribution to Trimayr Academy. For example, how many hairdressers from each salon have served as trainers? The most skilled staff will have served as training staff at the Academy. Performance Management could review the performance records maintained by the Academy to establish whether they were regarded as being skilled in the technical aspects of hairdressing. The ability of staff as trainers will also give an insight into interpersonal skills that will be of value in working with customers in salons.

Franchise Management can review the appointments books at Pop salons in the cities where the new Sheen salons will be located. Customers booking appointments will request the best hairdressers and so bookings will extend into the future. The staff who work in reception can be asked whether there are hairdressers for whom customers will defer their appointments in order to have them style and treat their hair.

The average length of service will give an insight into the quality of hairdressers in a salon. More experienced staff will probably be better hairdressers and so more suited to working in the new salons. The fact that each salon is effectively a small business suggests that principals will be unlikely to encourage staff to stay on unless they are treating customers well and are generating revenue. Staff who do not enjoy hairdressing will also be less inclined to stay and so experienced staff are more likely to have higher job satisfaction.

### Internal trade

It will be difficult to determine the cost to Pop salons and the benefits to Sheen salons of permitting above average staff to transfer directly, without waiting 3 months. The purpose of the 3-month period is to discourage competitors from poaching staff and so attracting customers to rival salons. The new Sheen salons will not be competing with local Pop salons and so there will be little benefit in enforcing the non-compete clauses in hairdressers' employment contracts. At best, the clause will discourage the new Sheen salons from recruiting too many of the Pop salons' most highly skilled hairdressers. Any agreements in relation to the 3-month non-compete clause will have little real value to either party.

The financial issues associated with staff transfers from Pop salons to the new Sheen salons will be insufficient to encourage trade in staff between salons. At worst, the principal of a salon Pop salon can prevent a hairdresser from starting work at a nearby Sheen salon for 3 months. That is not a sufficient penalty to justify a meaningful compensation from the new Sheen salons. It would be possible for Sheen salons to bypass the 3-month prohibition on working for a competitor by seconding the hairdressers they wish to recruit to a Sheen salon in a different city or by sending them to the Trimayr Academy for training in Sheen's practices. The lack of a meaningful cost makes it difficult to regulate the transfer of hairdressing staff in a manner that is optimal for Trimayr as a whole.

One key function of transfer pricing systems is to encourage internal trade that is optimal for the entity as a whole. It is debateable whether internal trading of staff would be beneficial for Trimayr in this case. The new Sheen salons will require hairdressers who can provide styling and hair treatments in an upmarket environment. It is not necessarily beneficial to recruit those staff from midmarket Pop salons. Recruiting staff from upmarket rival chains and independent salons will help to attract staff who are used to working in such an environment, which will benefit the new salons. These staff may also help the new salons to attract customers from local rivals. Many customers will prefer to deal with their usual hairdressers. From Trimayr's perspective, this will avoid harming the Pop salons who will lose valuable staff regardless of how they are compensated.

## Management Case Study

May & August 2025

### Exam Answers

#### Variant 6

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#### SECTION 1

##### Cash flows

Owning Privat might benefit Trimayr in terms of positive publicity that might attract additional customers, but it will be difficult to estimate the extra revenue that this will generate. Trimayr already has an active hair technology department that develops new hairstyles, and so there may be little real value in adding Privat to the Group. Hair Technology staff are active in promotional activity, such as appearing in fashion segments of popular television programmes. This type of publicity may be more effective in promoting Trimayr's services than being associated with celebrities. Privat's celebrity customers may be reluctant to be associated with the Trimayr brand and so may refuse to cooperate with requests to pose outside the salon. The high prices charged by Privat may create the impression that Trimayr salons are expensive places in which to have their hair styled.

It may prove expensive to retain Privat's staff after the departure of Brent Roges. Rival salons in the luxury market for hairdressing may attempt to lure Privat staff away with offers of better salaries than they currently earn. Trimayr might find itself with unexpected operating costs because of this. The loss of the founder could make it possible for rivals in the luxury hairdressing market to attract Privat's staff without having to pay them more. It will be difficult to predict how much extra Trimayr will have to pay these hairdressers.

##### Goodwill

The calculation of goodwill will be complicated by the fact that Privat's salon will be a difficult asset to value. Privat's location is associated with expensive salons, which makes property prices in that street difficult to estimate because of the specialist nature. Presumably, long established and successful salons do not sell their premises very often and so it will be difficult to estimate the market values of the shops. The lack of activity in the market will be further complicated by the specialised

nature of potential buyers. Much of the value of Privat's salon will depend very much on the existence of luxury hairdressers who are not currently based in Bartimer Street. Any attempt to sell the shop could yield a very small selling price because of the restricted market.

It may be necessary to make an immediate adjustment for impairment to the goodwill figure based on the difference between the purchase price paid to Brent Roges and the fair value of the identifiable net assets because the association with Trimayr could have an impact on the salon's value. Customers may be attracted to Privat because it is an exclusive and independent salon that retains an association with its founder. The loss of that association could have an immediate impact on goodwill. An estimate will have to be made of the value of the business, which takes account of the departure of Brent Roges. That will be a difficult estimate to justify. Trimayr might be able to address this problem to some extent by reviewing the performance of the Trimayr Sheen salon in that same street. If the salon can retain skilled staff and attract high profile customers, then that will offer some reassurance.

The goodwill figure will have to be subject to an annual impairment review, which will further complicate the accounting treatment. Trimayr's actions could undermine the value of goodwill that has been created prior to this acquisition. For example, actively promoting the relationship between Privat and other Trimayr salons could cost the high-profile business that Privat enjoys. For example, the celebrities who have their hair styled at Privat might switch to a rival hairdresser if Trimayr Pop salons start to offer customers the same hairstyles. It is also possible that the customer base that is being acquired through the purchase of Privat will drift away over time, perhaps because new salons emerge as being more popular. There will be a great deal of rivalry from other luxury salons and the effect of that rivalry will be difficult to assess.

## SECTION 2

### **Business model**

Privat could assist in defining value by making even greater use of its celebrity customer base in promoting the activities of the Trimayr Group. Privat has excellent contacts in the entertainment industry, so it should be possible to extend Trimayr's relationship with the media to promote new styles. It may be possible to persuade Privat's celebrity clients to endorse haircare products manufactured by Trimayr's business contacts. Trimayr could establish a management function within Privat that will be responsible for agreeing publicity and product endorsement issues with celebrity customers.

Privat should aim to create value by providing high profile celebrity customers with the highest possible standard of service. It may be necessary for Privat to invest heavily in the recruitment of highly skilled and experienced hairdressers so that they can ensure that they have staff who can provide the standard of care that celebrity customers expect and require. Celebrity customers may have other needs apart from the provision of skilled hairdressing. For example, they may require more privacy than normal customers. Privat may have to provide separate rooms for hairdressing appointments and have staff sign nondisclosure agreements.

Recruitment should be ongoing so that Privat always has plenty of spare capacity to deal with busy periods, including awards ceremonies. It may also be necessary to allow customers to be able to book appointments at short notice, so key hairdressers should not be fully employed to the extent that celebrities cannot see their favourites. It may be necessary to require hairdressers to visit customers in their homes or even to travel to other cities in order to give them the hairdressing treatment that they are used to. Ideally, the flexibility to require such service should be incorporated into staff contracts of employment.

Privat should probably not be as focussed on capturing residual value as franchised salons. Trimayr will be keen for Privat to earn a profit, but that is not the key reason for acquiring it. Privat should be provided with a specific set of objectives that is consistent with Trimayr's needs from the salon. Privat should focus on enhancing the Trimayr brand so that franchised salons can earn more through increased royalties and sales of products.

### **Performance measures**

The Board should be notified of Privat's media exposure, indicating the number of stories appearing on television and in print. These raw figures should be broken down to indicate the number of "positive" stories that credit Privat with attractive new styles and "negative" stories, such as criticisms of a celebrity's new hairstyle. Stories could also be classified between those that were the result of Privat actively promoting a story through press contacts and those that came from some other source. Tracking media exposure in this way will enable the Board to tell whether Privat is meeting expectations in terms of attracting good publicity.

Privat should maintain a list of the celebrity customers who used the salon each month, indicating when they last visited. The Board will wish to keep track of the

high-profile customers being attracted by Privat and the salon's ability to retain them. Any loss of celebrity customers will threaten Privat's ability to generate the sort of positive publicity that the Board is looking for.

The number of specific requests for each of Privat's hairdressers should be tracked to enable the Board to measure the popularity of individual members of staff. Hairdressers who are requested frequently could create problems if they become unhappy and decide to leave Privat. If any staff are declining in popularity, then the Board should consider whether they are becoming demotivated and so risking the company's reputation.



## SECTION 3

### **Business risks**

There could be significant product reputation risks if Pop and Sheen customers are provided with hairstyles that do not suit them because of their hair types or the shapes of their heads and faces. A celebrity whose hair is styled in a particular way during an appointment at Privat will have spent time with an experienced hairdresser and will have had their hair cut to match their needs. A Trimayr Pop customer who sees that style online or in a magazine and requests it for themselves might be disappointed by the results. There could also be problems if a celebrity's hairstyle was created for a special event and requires more maintenance than a typical Pop or Sheen customer can provide. There could be negative reviews on social media or in fashion magazines if customers cannot keep their hair looking as smart as it was when it was blow dried by a hairdresser.

Trimayr will have to be careful in any claims that it makes in relation to providing customers with hairstyles that were created by Privat. There is no intellectual property associated with hairstyles, beyond the skills required to cut hair in a particular way. Rival hairdressers are free to copy Privat's styles, without seeking permission or paying royalties. If Trimayr Pop or Sheen salons agree to style customers' hair in a Privat design, they will have to ensure that the nature of the request is fully understood by both parties. Privat hairdressers have much more time available to allow for detail in cutting and styling. There may not be time to match every detail of a Privat style in the course of a Trimayr Pop appointment.

### **Project team**

Salon principals should focus on the commercial implications of adapting and applying Privat styles for use in Trimayr Pop and Sheen franchises. The principals should be responsible for evaluating the likely demand for these new services and the associated costs of providing them, with representation from both Pop and Sheen. Their input should avoid the risk of Trimayr's Board being embarrassed by a rejection of the plan when it is put forward by the Board. Principals will also be able to forewarn of any expansion that may be required in their brand salons, such as a need for new equipment or additional hairdressers to allow for longer appointments. The principals will be able to speak to the risks that any such expansion will involve and provide feedback to the Board on whether it is a realistic proposal.

Hairdressers from Pop and Sheen salons will be able to offer realistic insights into the likely reactions of their customers to this proposal. They deal with customers in their respective market segments on a daily basis and so they will understand whether the active promotion of Privat styles is likely to succeed. The hairdressers will also be able to evaluate the difficulties associated with providing Privat's hairstyles to an acceptable quality in the course of working in a Pop or Sheen salon. These representatives will ensure that salon principals do not make unrealistic assumptions about the stresses involved in hairdressing to that higher standard in the time they have available. Salon principals and Trimayr's senior management may be tempted to ignore such issues because of the additional profits and revenues that might be created by this proposal.

Privat's hairdressers will be able to provide the project team with insights into the creative process for new hairstyles at this level. It would be helpful to understand the process of developing and possibly testing a new hairstyle before it is used to style a celebrity customer. It is also necessary to appreciate the differences between the hairdressing techniques that are used by Privat and those that are used by more mass-market salons such as Pop and Sheen. Privat's hairdressers will have a clearer understanding of whether it would be possible to recreate typical styles in the 1 hour appointments offered by Pop. They will also know whether it would be necessary to second Privat hairdressers to the Trimayr Academy to pass on particular skills in order to put this proposal into effect.

## SECTION 4

### Capitalising costs

The treatment of these costs should be considered in relation to the requirements of IAS 38 *Intangible assets*. The IAS requires Privat to consider whether its expenditure has created identifiable assets. That would require them to be separable or to arise from contractual or other legal rights. Privat's association with the awards is not separable because it cannot be sold separately from the business. There are no ongoing contractual or legal rights, other than the possibility that Privat is to be credited with styling actors' hair in publicity materials issued by the organisers of any events that are being supported. It is unlikely that Privat will enjoy any ongoing benefit that is protected by contract or other rights.

It could be argued that Privat's reputation is enhanced by its involvement in these events, which will provide ongoing benefit to the company. The costs can be measured in terms of the salaries paid to hairdressers involved in preparing celebrity customers and other operating costs, such as products consumed in the process. Unfortunately, it could be argued that the useful life of any given investment in reputation will be difficult to measure and could be brief. The costs incurred in any given event could be a source of publicity that boosts revenues for a few months. As time passes, that boost will have to be replaced with further investments in order to maintain Privat's reputation. That would imply that costs should be written off as they are incurred.

### Value analysis

A meaningful value analysis would require an understanding of the esteem value that customers associate with the components that drive operational costs. It may be difficult to determine whether customers attach much value to certain components without taking drastic action, such as removing the components and tracking the impact on revenues. Asking customers might not necessarily yield useful responses because responses could be misleading. For example, customers might state that they do not care whether Privat stops the refreshment service, but they might actually enjoy the ambience that such a service creates in the salon, even if they rarely partake of the refreshments. It could prove damaging to the business to close the kitchen even though customers might not offer advance warning that would justify its retention.

There may be alternatives to incurring all of the costs that are being suffered at present in order to maintain the esteem value. For example, the decoration and furnishing must be attractive in order to create an appropriate atmosphere, but that does not mean that it is necessary to spend a great deal of money in order to achieve that effect. It might be possible to refurbish furnishings that are starting to look worn, without having to replace them altogether. Decorating the salon need not use expensive materials to obtain an attractive result. The problem is that there are so many possible choices, only some of which will produce an attractive result. Simply setting a small budget could prove to be a false economy.

Not all of the expenses that are being incurred are necessary to achieve the desired esteem value. For example, it is important for Privat to retain its experienced hairdressers, but it is debateable whether it is necessary to pay high salaries in order to achieve this. The rivals in this segment of the market will all wish to retain their hairdressing staff, so none will wish to provoke attempts to recruit staff from rivals. The only likely result of that is an increase in costs for all salons. It may be possible to allow market forces to set salary levels that are acceptable to all concerned, without necessarily costing as much as is being spent at present. Privat's hairdressers will also benefit from the gratuities that will be paid by wealthy customers.

## Management 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 Management Case Study examinations for May and August 2025 were based on a pre-seen scenario relating to Trimayr, a company that franchises hairdressing salons. Trimayr owns two brands, one of which is upmarket and the other is mid-market. This is a competitive industry, with some rivals operating their own franchised chains, while others operate their own independent salons. The franchising model means that Trimayr must depend on the commitment of franchisees to generate revenues.

Six variants were set on Trimayr:

- Variant 1: the hairdressing industry is having difficulty in recruiting apprentice stylists. That makes it difficult to staff salons.
- Variant 2: Trimayr is primarily a franchise operation, but it owns and operates a small number of its own salons. The company is considering closing those salons.
- Variant 3: Trimayr operates its own “academy” that trains apprentices and experienced staff. A number of issues have arisen in relation to the academy.
- Variant 4: Trimayr is considering the acquisition of a manufacturer of haircare products.
- Variant 5: Trimayr wishes to improve its supervision of the franchised salons.
- Variant 6: Trimayr plans to enhance its management of intellectual property associated with the creation of new hairstyles.

All six variants complied with the published blueprint and covered the core activities in the prescribed weightings. Each variant consisted of four tasks and each task was further subdivided into two separate requirements.

The weighting attached to each requirement was stated and candidates were advised to allocate the time available for each requirement on the basis of those weightings. Markers were instructed to adopt a holistic approach to marking, which meant that the answer to each requirement was read and judged on its merits. Markers were provided with specific guidance as to the characteristics of level 1, level 2 and level 3 answers for each separate requirement.

From the candidates' perspective, the key to scoring well is to read and then answer the questions. The expectation is that candidates will be familiar with the context of the company and its industry from their prior study of the pre-seen. Trimayr operates through a large number of salons that are spread across its home country. These salons pay a royalty for the use of Trimayr branding and are required to comply with the company's procedures. They are, however, independent businesses that are owned and operated by franchisees. It is important to address the specific requirements set in each task. Higher marks are awarded to fuller answers that are relevant and correct. Relevance and correctness are frequently judged in the context of the scenario, taking account of the nature of the business and the specific issues raised by the new information provided in the variant itself and the tasks set by the requirements.

A major issue was the candidates' poor knowledge of any technical areas in the F2 syllabus. Very low marks were scored for the two F2 questions, especially in variant 4. It is very important that candidates study all topics and can apply their knowledge to the questions asked.

It is very important that candidates answer the questions that are asked and not the question they would have liked to have been asked.

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

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

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



## Variant 1 Comments on performance

	Designed to test	Core activity
<b>Task 1</b>	Would it be realistic for Trimayr to increase prices in order to increase apprentice wages?	A – Explain which pricing strategies are appropriate
	Would increasing apprentice wages in isolation lead to conflict within salons?	E – Advise on conflict management
<b>Task 2</b>	How should a project to recruit apprentices be organised?	B – Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
	What are the challenges associated with determining the NPV of the recruitment project?	A – Select appropriate capital investment appraisal techniques and apply them in order to support capital investment decisions, including product/service development, digital transformation projects and acquisitions
<b>Task 3</b>	How might TQM concepts be incorporated into the training and induction of apprentices?	C – Identify and apply appropriate quality management techniques to enhance value
	How should the creation of the recruitment and induction materials be accounted for?	D – Select appropriate accounting treatments and explain their implications for users of the financial statements
<b>Task 4</b>	How should the business risks associated with the recruitment be presented?	C – Apply the techniques that quantify and present risk to stakeholders
	How should the recruitment be reflected in the integrated report?	E – Explain the implications of integrated reporting for the reporting entity and its stakeholders

## Task 1

The hairdressing industry is struggling to recruit apprentice hairdressers. That poses an immediate problem because apprentices undertake menial tasks in salons, including sweeping floors and providing customers with hot drinks. There is also a longer-term concern that apprentices are employed with a view to them becoming junior hairdressers, providing their training salons with a steady flow of qualified hairdressers to replace the inevitable losses.

The first sub-task asked whether it would be sensible to increase salon prices in order to recover the cost of increasing apprentice wages. The scenario raised a number of issues that could be discussed in relation to this matter. For example, the hairdressing industry as a whole faces a shortage of apprentices, suggesting that Trimayr's rivals may also have to increase apprentice wages and so they may also have to increase their prices. Trimayr must also consider the elasticity of demand for each of its two brands. The Sheen salons are associated with luxury and premium pricing and so a price rise might have little or no impact on demand. Level 1 answers often ignored these issues and also ignored the requirement set in the sub-task by discussing the role of apprentices or the possibility that explaining any price increase would satisfy customers. Candidates were distracted were frequently unrealistic because they failed to address the relevant issues in a logical manner. Level 3 answers were generally focussed on the key issues raised by the scenario and were both relevant and commercially sound.

The second sub-task asked about the possibility that increasing apprentice wages in isolation could lead to conflict within salons. Level 3 answers recognised the fact that the source of conflict could come about because of conflicting interests or because of perceptions of unfair treatment. For example, increasing the wages of apprentices in isolation will reduce pay differentials, which could cause more senior staff to be demotivated by the fact that they are earning only slightly more than the most junior apprentices. Level 1 answers were generally underdeveloped, sometimes losing credibility by exaggerating problems. For example, concerns about apprentices leaving for better paid jobs in rival salons were often presented in terms of apprentices moving to different cities, which might be difficult to achieve on apprentice wages.

## Task 2

The Board is considering running an advertising campaign to encourage potential recruits to apply for apprenticeships. The cost of this campaign will be borne by Trimayr itself and will not be passed onto the franchise principals.

The first sub-task asked for an explanation of the skills that will be required of the project manager for the design and implementation of the advertising campaign. This required candidates to consider the role of the project manager and the skills that would be required to discharge that role effectively. The requirement asked for reasons to support the skills identified by candidates and the provision of sensible reasons tended to distinguish between the levels of marks that were awarded. Level 3 answers generally offered a realistic set of required skills, recognising the fact that the project manager will be capable of delegating work to team members. Some candidates at this level recommended the appointment of a

particular board member as project manager, with an explanation of the skills that would be possessed by those directors and their relevance to the task. Level 1 answers generally listed a wide range of skills. Those lists were not supported by reasons for their recommendation.

The second sub-task asked about the difficulties associated with predicting the cash flows associated with the recruitment campaign. Level 3 answers often recognised the complex relationship between the performance of franchised salons and the cash flows to Trimayr. Recruiting apprentices might not necessarily affect Trimayr's royalties from salons. Level 1 answers tended to offer less in the way of an evaluation of the difficulties that had been identified and so consisted of a list of possible problems associated with predicting cash flows.

### Task 3

There are concerns that newly appointed apprentices lack basic skills associated with providing good customer service, including maintaining appointments books and answering the telephone. The Board is considering creating training materials that can be used to develop those skills.

The first sub-task asked for recommendations concerning the incorporation of TQM concepts into the initial training of apprentices. Level 1 answers tended to consist of little more than descriptions of TQM, drawing upon knowledge from study texts. Answers at this level tended to lack relevance to the requirement. Level 3 answers demonstrated an awareness of the ways in which TQM concepts might be usefully incorporated into apprentice training. Answers at this level reflected a realistic awareness of the quality issues that might be useful to apprentice hairdressers.

The second sub-task asked about the accounting treatment of the costs incurred in creating training materials and the wages paid to apprentices while undertaking training. Level 3 answers provided sensible responses to both issues, generally drawing upon relevant aspects of IAS38 *Intangible assets*. Answers at this level identified the matters of judgement that have to be addressed in order to provide a correct treatment. Level 1 answers tended to ignore the scenario and focussed on the distinction between research and development. While some of the issues raised could have been presented in a relevant manner, the expenditure in question was neither research nor development.

### Task 4

The Board intends to commission an interactive training course for apprentices that salon principals will be able to offer to their apprentices in return for a fee payable to Trimayr.

The first sub-task asked about the business risks associated with the creation of this course and its provision to salons. Three specific risks were mentioned. Candidates generally structured their answers around the list of risks provided in the requirement and the marks awarded tended to vary according to the level of development provided in terms of the evaluation of those risks. Level 3 answers were well developed, while level 1 answers offered little in the way of evaluation of the risks faced by the company. Level 3 answers paid close

attention to the information provided in the unseen material. For example, Trimayr plans to make the purchase of this training voluntary, at the discretion of salon principals.

The second sub-task asked about disclosures in the integrated report in relation to the course materials. Three particular capitals were listed in the requirement. Again, candidates generally structured their answers around the list. Level 3 answers demonstrated an awareness of the different capitals and explained how each capital might be affected by the creation and provision of these training materials. Level 1 answers generally defined the capitals, with little real explanation of the relevance of the course materials to those capitals. The second sub-task asked about the challenges to Shinyglas' business model arising from the switch to manufacturing sealed units using the new glassmaking process. Candidates varied in terms of the aspects that they chose to discuss. Some discussed all four aspects, while others were more selective and discussed two or three. All answers were marked on their merits and a more detailed discussion of two aspects could score a similar mark to a relevant discussion of all four. Level 3 answers demonstrated an understanding of the business model and set out a clear discussion of the impact that the new process will have. Level 1 answers tended to summarise the business model, with little or no discussion of the changes that will occur.

## Variant 2 Comments on performance

	Designed to test	Core activity
<b>Task 1</b>	How will the conversion of salons to franchised businesses impact on Trimayr's business model?	A – Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	How should Trimayr address the fact that salons' performance often improves when they are franchised?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
<b>Task 2</b>	How might benchmarking be used to evaluate the performance of individual franchised operations in order to assist with the transition?	D – Select and apply suitable tools and techniques for managing risk and uncertainty associated with performance-related issues
	Should franchisees be permitted to set their own prices, rather than complying with the official Trimayr pricelist?	A – Explain which pricing strategies are appropriate
<b>Task 3</b>	How should the sale of salons be negotiated?	E – Advise on the negotiation process
	How should salons held for sale be accounted for and how will that affect the interpretation of the financial statements?	D – Use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios
<b>Task 4</b>	What are the business risks associated with selling salons?	C – Apply the techniques that quantify and present risk to stakeholders
	Should the cash raised from the sale of salons be used to repay loans?	B – Select suitable financing sources and explain the characteristics of the different types of funding

## Task 1

This scenario begins with a proposal that Trimayr should divest itself of the remaining salons which it owns and operates, moving to a wholly franchise operation.

Candidates were first asked to evaluate the implications of the divestment of these salons for Trimayr's ability to define value and capture residual value as specified in its business model. A description of the business model was provided.

Level 3 answers focussed, as requested, on defining and capturing value. They evaluated issues such as the loss of the ability to test new products in a range of salons unless the franchise principals support this, and the lack of future growth opportunities for Trimayr.

Level 2 responses were often less well focussed on the specific requirement and provided less detailed justification for the points made.

Level 1 answers correctly identified some implications but did not evaluate them.

Candidates were then asked to discuss the implications of the fact that the performance of Trimayr owned and operated salons often improves when they are franchised.

Level 3 responses provided a well-balanced discussion, recognising that the franchise principals may be more motivated than the previous management team, but also that they might become more risk averse. The improvement could be caused by the use of the salons to test new products and techniques. If some trials prove unpopular, this could make the new principals unwilling to undertake future trials. Another implication could be a loss of credibility for the advice provided by the Franchise Management Team.

Level 2 answers often discussed a narrower range of issues and explored them in less detail.

Again, Level 1 answers did not go beyond identifying implications.

## Task 2

The Franchise Recruitment Department has found potential franchise principals to take over the salons which the company currently owns and operates. Several potential franchisees have expressed an interest in benchmarking the performance of their salons for the first 12 months after they take control. They are also concerned about maximising profits by fixing their own prices for styling and treatments instead of using the Trimayr pricelist.

Candidates were asked to recommend with reasons the approach that should be taken to benchmarking the performance of the divested salons, with particular reference to whether benchmarking should be restricted to the 40 divested salons or should include the 380 already operating on a franchise basis.

Level 3 answers gave well-justified recommendations, focussing as requested on whether to benchmark just the newly franchised salons or all of them. Valid points raised included considering how the information will be used, the need for privacy for franchisees and the objective of enabling the franchisees to measure their progress in adapting to the new method of operation.



Level 2 answers often gave less well-focussed advice, with some describing different types of franchising rather than basing their analysis on the specific scenario. They did recommend approaches but often omitted consideration of whether the benchmarking should be based on the 40 salons or all of them.

Level 1 responses made some relevant suggestions but did not discuss or justify them.

Secondly, candidates were asked to identify and evaluate the challenges faced by the franchise principals of the newly divested salons in setting selling prices that maximise profits.

Level 3 responses were well focussed and specific, recognising that customers of the salons are accustomed to paying relatively low prices and the decision to charge more must be carefully considered or many customers will choose to go elsewhere. Raising prices and then lowering them again could be difficult, and local conditions such as the presence of nearby competitors would also need to be taken into account. The decision to risk raising prices could be a difficult one.

Level 2 answers often provided a general discussion of different potential types of methods of pricing without considering the specific scenario set out in the case study or fully justifying their evaluation.

Level 1 responses correctly identified some challenges but did not provide evaluation or justification for their points.

### Task 3

Prices for the new franchises need to be negotiated and ROCE has been calculated for each of the salons. The prices need to reflect the fact that the businesses will be sold as going concerns. None of the salons own assets other than hairdressing equipment and signage and all the premises are leased.

Candidates were first asked to identify and evaluate the issues likely to be discussed when negotiating the selling prices.

Level 3 responses evaluated relevant issues well, although very few identified the fact that potential buyers could establish their own salons in order to become Trimayr franchisees and do not have to buy one of these, which is likely to restrict the price they will be willing to pay and mean that the estimated cost of setting up a new salon will be relevant to negotiations. Potential franchisees could also establish salons with rival brands. Many candidates provided a good evaluation of the importance of considering local trading conditions when negotiating.

Level 2 responses often identified fewer issues and explored them in less depth.

Level 1 answers identified issues but did not evaluate them.

Candidates were next asked to identify and explain the limitations of the ROCE calculation for the purpose of negotiating selling prices with prospective salon principals. The calculation has

been based on Trimayr's records of the revenues and costs of each salon and the book values of the salon assets. On this basis, the ROCE for each salon is substantial.

Level 3 answers identified and explained a range of issues and showed a good understanding of ROCE and its limitations. For example, it is based on historical performance which will not necessarily reflect future results. It will be inflated by the fact that the salon assets are low and will not include the royalty payments franchise owners will have to pay, which could be substantial. Some made the point that Trimayr could choose to accept a lower payment for the franchise but a higher royalty rate, or vice versa, which would again make the ROCE less relevant.

Level 2 answers still showed good understanding of the issues but were less well developed.

Level 1 answers often identified some issues but did not demonstrate solid understanding of ROCE and its limitations.

#### Task 4

In the final task, candidates were informed that the implications of the divestment of the 40 salons are being considered. None of the current Franchise Management staff have direct experience of transferring an existing salon to a new principal and the Finance Director is concerned that the divestment exposes Trimayr to risks.

Candidates were first asked to identify and evaluate the product reputation and contractual inadequacy risks associated with the divestment of the salons as going concerns.

Level 3 responses focussed, as requested, on product reputation and contractual inadequacy. They correctly identified the fact that franchisees might not set as high standards as Trimayr did and that the brand reputation could be damaged as a result. They also explored the risk that new franchisees might feel that the salons do not live up to their expectations and that they have been misled, particularly if revenue is lower than anticipated. Points were clearly made and well evaluated.

Level 2 responses often identified the same issues but did not provide as thorough an evaluation, and some answers talked about risk in general rather than focussing on product reputation and contractual inadequacy as requested.

Level 1 answers were more general and often did not go further than briefly identifying issues.

Finally, candidates were asked to identify and explain the characteristics of debt that would make it beneficial to use the D\$20 million received from the divestment to partially repay the company's long-term debt.

Level 3 answers explored the fact that whilst a characteristic of debt is that it is cheaper than equity, it would be unwise to leave the full debt outstanding if the D\$20 million is not being used. Improving the gearing could make it easier and cheaper to raise further loans in the future if needed. It will also reduce the volatility of returns to shareholders, particularly if there

is a fall in profits in future. Answers gave a good evaluation of the issues and were well focussed on the benefits of repayment, given the key characteristics of debt.

Level 2 answers were often less detailed and less well focussed on the advantages of repayment. Some included a comparison of the characteristics of debt and equity which was not really relevant here.

Level 1 responses often provided a textbook list of characteristics of debt and did not really address the specific question asked.

### Variant 3 Comments on performance

	Designed to test	Core activity
<b>Task 1</b>	What leadership style would be a suitable trait for a replacement?	C – Compare leadership styles and identify the most appropriate style to use
	How might a business intelligence system be used to assist in setting selection criteria?	A – Analyse the impact of disruptive and digital operating business models in the context of digital ecosystems
<b>Task 2</b>	How will offering hair styling at a reduced price through the Academy affect Trimayr's business model?	A – Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	What are the business risks associated with permitting trainees to cut customers' hair?	D – Select and apply suitable tools and techniques for managing risk and uncertainty in business models
<b>Task 3</b>	How should the expansion be funded?	B – Select suitable financing sources and explain the characteristics of the different types of funding
	Should the Academy be established as an investment centre?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
<b>Task 4</b>	What key performance indicators might be set for the Academy?	D – Select and apply suitable tools and techniques for managing risk and uncertainty associated with performance-related issues
	How should the Academy be reflected in the integrated report?	E – Explain the implications of integrated reporting for the reporting entity and its stakeholders

## Task 1

Candidates gave a variety of answers to this task. Level 1 responses tended to ignore or minimise the “Business” training element and concentrated instead on the challenges of replacing a dominant leader. Most were able to support their arguments for the type of leadership styles which would be required. Level 3 candidates were very good and discussed the emerging needs of the current day environment. These candidates were able to suggest new and fresh approaches and ideas to be considered and adopted by new generations of trainers.

The business training issues were rather sparse amongst weaker candidates, but good level 3 answers highlighted a separate set of tasks here with the focus on running a business by salon principles. Good level 3 answers highlighted the different sets of syllabus and course materials needed for business schooling against practical training needed for training stylists, again differentiating between permanent full-time business trainers and seconded stylist training.

Candidates were then asked to recommend with reasons how Trimayr’s business intelligence system might be used to assist in setting selection criteria for the replacement Head of School. Many candidates struggled with this and gave rather brief answers which assumed that ideal candidates would emerge from the BIS without any real interrogation of the system.

Good candidates gave level 3 responses which acknowledged that clever interrogation and a careful interpretation of results would be required to assist with identifying possible candidates. Key word and phrase searches needed to be carried out in each of the several sub-categories and results collated and examined for recurring names. Careful ranking and grouping of characteristics should identify lead candidates in different areas, thus leading to targeted interviewing and assessment of strengths and weaknesses in face-to-face interviews.

## Task 2

This task was answered quite well, with level 3 answers dealing well with the main parts of the question. Training with significant volunteers under expert tuition leads to greater confidence and capability for all the apprentices. Level 1 and level 2 answers were also aware of benefits but simply were less able to exemplify them. Level 1 answers frequently went off track and failed to complete the question, answering only one part, to either identify or evaluate. Level 3 answers showed how this hands-on training builds confidence to allow stylists to advise clients on salon treatments. Having free treatments in the academy allows the volunteers to be more adventurous and so enhances the trainee experience.

Candidates were then asked to evaluate the risks that there will be insufficient demand from volunteers or that Trimayr will suffer because of contractual inadequacy.

This proved rather more difficult for many candidates, as some answers were very short. Level 3 responses highlighted that Trimayr are not the only salon chain looking for volunteers or providing subsidised treatments for apprentice training and that good catchment areas

such as universities should be actively marketed. However, the contractual inadequacy proved rather difficult for some. Level 3 responses dealt with several situations which might give rise to dissatisfaction and discussed ways to avert this. Level 1 responses here tended to be brief and to summarise that not everyone will be happy.

### Task 3

This task was answered well. Candidates laid out benefits and characteristics of debt and equity. Level 3 answers were better at identifying with the scenario and recognised that a lot of Trimayr's property is leased and that salon assets are rather specialised and possibly have little open market value. Getting a loan that takes Trimayr's gearing from 46 to 53% may be rather difficult and expensive. Equity seemed to be the more obvious route and a rights issue or new capital would take gearing down to a more acceptable 40%. Most level 1 candidates proposed debt as the more cost-effective funding without considering the possible scenario specific issues that Level 3 candidates dealt with.

Candidates were then asked to evaluate with reasons the arguments for and against establishing the Academy as an investment centre.

Level 3 candidates responded with both sides of the argument requested. They realised that the new head would be greatly encouraged by the status of investment centre and could go on to generate profit and investment returns through providing training and other services to the salons. However, they also pointed out that the new head has a lot to deal with in the first instance and creating and running what would essentially be a new business was a step too far and risked jeopardising all the good work that can be achieved as a simple profit centre. Level 1 answers were somewhat sparse here and did not give much thought to logical outcomes of any decisions.

### Task 4

This task was answered relatively well by almost all candidates. Level 3 answers were good because they gave a more cohesive set of reasons which gave the measurements being taken more depth and relevance. They considered the various aspects of training completion to give a more holistic view of the degree of success trainees had. Likewise, the retention and feedback from the volunteer population was also seen as a key indicator by many. Viewing these as trends over time would enable Trimayr to evolve and adjust to improve.

Level 3 candidates provided detailed evidence from analysis of the scenario of the four capitals. Intellectual is limited to the organisation and co-ordination of training programs with little access to licensed or copyright materials. However, maintaining course material, delivery agents and training timetables to meet salons needs is key to assisting the group success in an efficient, effective and economic manner. Level 3 candidates pointed out that the whole process of the academy is to generate human capital. The apprentices passing through the academy are the salon resources for the following years and the services delivered by them



are ever enhanced by the training, sharing and collaborative processes engaged in the academy. Better candidates highlighted the wider relationship held with the community. Level 1 and 2 responses were on track with most or some of these but tended to be less specific about the academy being at the centre of the scenario.

## Variant 4 Comments on performance

	Designed to test	Core activity
<b>Task 1</b>	How should the manufacturer be established as a responsibility centre?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
	How will the acquisition of a foreign subsidiary impact on the Trimayr Group's reported performance?	E – Explain the financial reporting implications of additions to the group
<b>Task 2</b>	Will this be a disruptive product?	A – Analyse the impact of disruptive and digital operating business models in the context of digital ecosystems
	How will the revenues from these sales be accounted for?	D - Select appropriate accounting treatments and explain their implications for users of the financial statements
<b>Task 3</b>	How might target costing be applied to the development of the product?	C – Identify and apply value management techniques to enhance value
	How should the project to design and launch the product be organised?	B – Apply appropriate project management tools and techniques to effectively manage projects at the appropriate stage in the project life cycle
<b>Task 4</b>	What business risks will be associated with the sale of value products through salons?	D – Select and apply suitable tools and techniques for managing risk and uncertainty in business models
	How might transfer pricing help to optimise internal trading between the factory and the salons?	E – Explain the behavioural and transfer pricing issues associated with internal trading

### Task 1

The first sub-task asked for a recommendation for the type of responsibility centre that Glaxus should be organised as in the event that the 100% acquisition proceeds. As with most questions that require a recommendation, there was no specific recommendation that had to be made in order to score well. Level 3 answers generally recommended a specific type of responsibility centre and then explained why it would be suitable for Glaxus as a member of the Trimayr Group. The explanation had to be clear and consistent with the recommendation. For example, many level 3 answers argued that Glaxus had a management team who would have been accustomed to making effective decisions relating to all aspects of running the

company effectively. Arguably, organising Glaxus as an investment centre would reduce the risk of demotivating those managers and would also enable Trimayr to make the best possible use of their expertise. It was equally acceptable to argue for other types of responsibility centre. Level 1 answers often described the different types of responsibility centre without drawing a conclusion as to which would be the most suitable. Answers at this level also tended to recommend a type of responsibility centre without explaining why it might be suitable for Glaxus.

The second sub-task asked about the impact that movements in Glaxus' currency will have on the Trimayr Group's reported performance. This required an understanding of the treatment of currency movements as specified in IAS 21. Level 3 answers generally demonstrated an understanding of the IAS and explained how movements in exchange rates would affect the currency reserve account and how they would affect the Group's other comprehensive income. Answers at this level were generally clear and explained the implications for the interpretation of the financial statements without resorting to excessively technical language. Level 1 and 2 answers were generally weak because they attempted to summarise the content of study materials, with a lack of clarity and application. They also tended to contain technical errors, which undermined the credibility of the answer. Candidates should ensure they do not miss out any part of the syllabus when studying.

## Task 2

The first sub-task asked for arguments both for and against the new product range being regarded as a disruptive technology. Level 3 answers tended to focus on the requirement, offering arguments both for and against the proposition that the new technology should be regarded as disruptive. These discussions were generally realistic, offering a clear explanation of the issues raised by the candidates in classifying the products. Weaker answers often addressed only one side to the argument, presenting a case for the technology being either disruptive or not. Level 1 answers often consisted of little more than a summary of the study materials, offering definitions of disruptive technology, but saying very little about the application of that content to the sub-task.

The second sub-task asked about the accounting treatment of the service that Trimayr salons will offer through the use of this new technology. Customers make an initial payment, which entitles them to a number of benefits over a 3-year period. Accounting for this type of transaction requires the application of IFRS 15. Level 3 answers demonstrated an understanding of the standard, correctly identifying the issues arising from its application to the scenario. Level 1 answers generally lacked coverage of the technical content. Those answers tended not to address the breakdown of the steps involved in the completion of the contract with customers.

## Task 3

The first sub-task dealt with the application of target costing to decisions relating to design. Trimayr has a choice between a cheap, but potentially unattractive, design for the scanner that it is developing and a more expensive finish that will cost significantly more. Similarly, it can offer cheaper packaging for the materials or it can spend more on a superior finish.

Candidates were asked to evaluate the difficulties of applying target costing in assisting with these decisions. Level 3 answers reflected the problems associated with predicting how the presentation of this new range might affect customer demand. Answers at this level reflected the nature of the business and the extent to which presentation is a key aspect of selling services. Level 1 answers tended to focus more on defining target costing, with little real consideration of the challenges that would arise.

The second sub-task asked about the creation of a team to take responsibility for the design work to be undertaken before the launch of this product range. Level 3 answers recognised that there were a number of priorities to be dealt with at the outset of the team's creation. The project team will have to be equipped with the necessary skills and will have to be provided with clear objectives so that the team is equipped to deliver the outputs that are expected by Trimayr's Board. Answers at this level reflected those priorities. Level 1 answers tended to offer quotes from study materials, often stating stages in the project lifecycle, without reflecting the requirements for the sub-task.

#### **Task 4**

The first sub-task asked about the issues relating to product reputation risk and contractual inadequacy risk arising from the behaviour of the guilty salons. Level 3 answers tended to offer logical discussions of these risks, reflecting the nature of the business. Most candidates offered logical explanations of the product reputation risk, although there were some unrealistic concerns about the risk that branded products sold by supermarkets could harm customers. Level 1 answers tended to be brought down by weak answers to the second aspect, offering illogical arguments relating to contracts.

The second sub-task asked about the implications of allowing Glaxus to set its transfer prices in Trimayr's home currency or Glaxus'. This required some thought about the effects of changing exchange rates on the parties to these internal transactions. Level 3 answers recognised that pricing sales in J\$ would leave Trimayr vulnerable to weakening of the D\$. These explanations did not have to be particularly technical in order to explain the effects of movements in exchange rates. Level 1 answers made very little direct attempt to discuss the impact that currency movements might have for either party.

## Variant 5 Comments on performance

	Designed to test	Core activity
<b>Task 1</b>	Would it be useful to calculate accounting ratios based on monthly accounts?	D – Use the financial statements to assess and report on financial performance and position, interpreting and reporting on a wide range of ratios
	Is it appropriate to permit individual salons to set their own prices for services?	A – Explain which pricing strategies are appropriate
<b>Task 2</b>	How might a business intelligence system be used to evaluate customer feedback in order to identify salons that might be extended?	A – Identify and use relevant digital data sources to assist in capital investment decisions
	What are the risks associated with evaluating customer engagement in individual salons?	C – Analyse the processes needed to ensure employee engagement, empowerment and alignment to enhance individual and team performance
<b>Task 3</b>	What are the characteristics of debt and equity that might help with the funding decision?	B – Select suitable financing sources and explain the characteristics of the different types of funding
	How might owned premium salons be managed as investment centres?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
<b>Task 4</b>	How might salons whose stylists have valuable skills be identified?	B – Recognise the characteristics of high-performing teams
	How might transfer pricing be used to encourage salon managers to exchange top stylists?	E – Explain the behavioural and transfer pricing issues associated with internal trading

## Task 1

Candidates were first asked to recommend with reasons three key ratios that might be used to compare the performance of salons from Trimayr's perspective. They were requested to indicate with reasons whether each ratio should be based on monthly or annual figures and were advised not to restrict themselves to textbook accounting ratios.

Level 3 answers suggested appropriate ratios and justified their choice well. Suitable choices included sales per hairdresser or per chair, capacity utilisation of each salon and percentage of revenue from hairdressing versus from haircare products. Candidates made clear recommendations as to whether monthly or annual statistics would be more useful. Level 2 responses often disregarded the suggestion that they should not restrict themselves to textbook accounting ratios, for example, suggesting gross profit and net profit percentages together with return on capital employed as their three ratios. Whilst a case could be made for these, the justifications were often quite generic and not well developed. Level 1 answers did not go much beyond identifying ratios which might be suitable.

Candidates were then asked to evaluate the arguments for and against permitting individual salons to set their own prices for hairdressing and the resale of hairdressing products.

Level 3 responses discussed both arguments for and against in a well-balanced manner, for example, recognising that letting individual salons set their own prices would enable them to reflect local conditions, but also that salon principals would come from a variety of backgrounds and some could unwittingly set unrealistic prices. Level 2 answers were often narrower and focussed on either arguments for or against rather than a balance of both. Again, Level 1 answers did not go beyond identifying some arguments and did not discuss them in any detail.

## Task 2

Candidates were asked to recommend with reasons the ways in which Trimayr's business intelligence system might be used to improve Trimayr's use of the reviews that are available on social media.

Level 3 answers gave well-justified recommendations, recognising the potential usefulness of a business intelligence system to create comparative satisfaction scores, analyse scores and reviews and track results over time. Level 2 answers were often less well focussed and explained that making better use of feedback was desirable but did not fully address how the business intelligence system could be of practical use. Level 1 responses identified some appropriate recommendations but did not fully develop them.

Secondly, candidates were asked to identify and evaluate the challenges faced by the franchise principals in empowering and engaging their staff in order to improve customer feedback.

Level 3 responses recognised that this would be difficult because responsibility for customer contact will often lie with junior staff who might not be able to make logical decisions about how to react to customer complaints, and that staff may be reluctant to deal with the stress of interacting with unhappy customers. Level 2 answers often provided a general discussion



about staff empowerment rather than focussing on the specific scenario provided by the case study. Level 1 responses correctly identified some challenges but did not provide evaluation or justification for their points.

### Task 3

Candidates were first asked to evaluate the characteristics of debt and equity in terms of their suitability for financing the D\$30million required for this investment in owned and managed salons.

Level 3 responses provided clear evaluation, explaining the lower cost of debt, its impact on the risks borne by shareholders, the impact of a rights issue on shareholders and the impact on gearing. They gave well-justified recommendations. Level 2 responses often correctly described characteristics of debt and equity but did not evaluate them in the context of the scenario presented. Level 1 answers described characteristics but did not provide evaluation.

Candidates were next asked to evaluate the arguments for and against organising the 20 new owned and operated Trimayr Sheen salons as an investment centre.

Level 3 answers identified and explained arguments both for and against operating the new salons as an investment centre. This included the danger that the Franchise Management team could overspend on investments in order to appear that they have been very active, the risk that a capital budget could put the team under pressure to invest, and that the availability of funds could discourage experimentation which did not require investment. Level 2 answers still showed good understanding of the issues associated with an investment centre but did not fully develop their arguments. Level 1 answers often identified some issues, but some did not show full understanding of how an investment centre works.

### Task 4

In the final task, the new salons have been opened in city centre sites. The Franchise Management Department is keen to identify Trimayr Pop salons which employ above-average hairdressers so that they could be recruited to work in the new salons.

Candidates were first asked to recommend with reasons ways in which Franchise Management can identify above-average hairdressers currently employed by Trimayr Pop salons.

Level 3 responses made a number of well-justified recommendations, including evaluating which hairdressers have worked as training staff at the Academy, reviewing performance records and appointment books to see which hairdressers are requested by customers. Length of service could also be a relevant consideration. Level 2 responses often identified some of the same methods but did not explain them fully. Level 1 answers described some methods but without justification, and some suggestions would not be practically useful.

Finally, candidates were asked to evaluate three difficulties associated with using transfer pricing to encourage the transfer of above-average hairdressers from existing Pop salons to the new Sheen salons. The transfers should be beneficial to Trimayr as a whole.

Level 3 responses identified appropriate difficulties, such as determining the cost to Pop salons and the benefits to Sheen salons of permitting the staff to transfer directly. Also, it would be difficult to establish which would encourage trade, particularly when Pop salon principals can prevent staff moving for 3 months. Also, it might be better to recruit staff from rival salons and it would not benefit Trimayr as a whole to move staff if this damaged Pop salons. Level 2 answers were often less well developed and sometimes discussed transfer pricing in very general terms rather than focussing on this specific scenario. Level 1 responses sometimes just provided a textbook list of methods of setting transfer prices.

## Variant 6 Comments on performance

	Designed to test	Core activity
<b>Task 1</b>	What are the difficulties associated with determining the cash flows associated with this investment?	A – Select appropriate capital investment appraisal techniques and apply them in order to support capital investment decisions, including product/service development, digital transformation projects and acquisitions
	What are the challenges associated with determining goodwill on the acquisition?	E – Explain the financial reporting implications of additions to the group
<b>Task 2</b>	How can the operation of the acquisition be made consistent with Trimayr's business model?	A – Select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
	How would the performance of the salon be evaluated?	C – Advise on the measurement, analysis and reporting on the performance of responsibility centres
<b>Task 3</b>	What are the business risks associated with maintaining a leading position in hair design?	D – Select and apply suitable tools and techniques for managing risk and uncertainty in business models
	What are the challenges associated with maintaining employee engagement in learning new designs and techniques?	B – Identify the key project personnel, explain their responsibilities and set appropriate performance measures
<b>Task 4</b>	How should the costs of creating new hairstyling techniques be accounted for?	D – Select appropriate accounting treatments and explain their implications for users of the financial statements
	How should the lifecycle of styles and techniques be managed?	C – Identify and apply value management techniques to enhance value

## Task 1

Good level 3 candidates addressed the scenario and identified several elements of problems for cash flow assessments. Some of these were picked up by most candidates, with the differentiation between level 1 and 3 largely down to the detail of the evaluation given and the variety of difficulties identified.

With Roges about to retire, how much of the business disappears with him, what about staff loyalty and retention, how expensive are they? What about customer loyalty, is that to Roges or to the individual stylists on the team? What revenue streams were running as the Privat business? There were some good answers to this task.

As a closely linked secondary question, candidates were asked to identify and evaluate the challenges associated with determining and accounting for the goodwill on the acquisition of Privat.

Simply put, goodwill is the excess of price over the fair value of the assets acquired. Again, the good level 3 candidates turn to the detail of the scenario and analyse the facts. Privat's salon is more than bricks and mortar. It is in a prestige position, but what is its value? Specialist furniture and salon equipment is expensive, but what is their value to the market if not directly in a salon?

Very few candidates recognised that there may be a need for immediate impairment due to the loss of Roges, but the better candidates identified the problems on valuations of salon and equipment and noted that regular annual reviews would be necessary. Goodwill may also be strongly impacted by celebrity endorsement, or the departure of any key figures from the regular clientele list. Other exclusive salons will be fighting to capture any slightly dissatisfied celebrity.

## Task 2

Level 3 responses were quick to focus on the key differentiator Privat has, mainly celebrity customers. Defining value through their endorsement of product and services delivered through the Trimayr group, primarily Privat could be a great use to the rest of the group. The entertainment industry has direct marketing to many thousands of followers and a single endorsement could result in significant new business opportunities.

Trimayr need to create a new training scheme to take their best stylists to an elite level, so that they always have capacity to step in to carry out special appointments. Research needs to be done to track target events and schedule appropriate levels of staff availability to address these. It may be worth having special contracts of employment for those engaged at this level.

Candidates were then asked to recommend with reasons the performance measures that Trimayr's Board might require from Privat on a monthly basis.

Many level 1 and 2 responses were based on pure financial tracking, number of customers through the door at Privat's salon, revenue per employee etc. This slightly missed the celebrity endorsement aspect but many highlighted the social media advertising, quantifying the number of hits on any pictures showing publicity for Privat.

### Task 3

Candidates are presented with Board meeting notes where possible difficulties arising from the integration were discussed. Candidates were asked to identify and evaluate the product reputation and the contractual inadequacy risks that might arise from Trimayr advertising based on its ownership of Privat.

This was answered well by most candidates. Once again, this is a question of reasonable or unreasonable expectation of what outcome would result from making a copy of a celebrity style. A celebrity style created in 5 hours for a photo shoot in a glamour gallery may not necessarily transpose to being suitable for day-to-day working life. Level 3 answers highlighted the need for the stylist to adjust the expectations of some clients to bring them to something more manageable. Also, level 3 answers highlighted that a 60-minute session cannot achieve what is done in 3 hours. Key to all of this are skilled staff who can compromise on the hairstyles to satisfy the client. Setting and agreeing expectations are essential to avoid contractual inadequacy.

Candidates were then asked to recommend with reasons the roles that salon principals, hairdressers from Trimayr Pop and Sheen salons and hairdressers from Privat should have in the proposed project team.

Again, this was well answered by most candidates. There was a very clear need for each of the groups to be represented and enabled to talk freely about their roles and interactions. Differentiation between level 1 and level 3 answers was largely down to the amount of detail supplied and a demonstration of the understanding needed between the parties.

Salon principles were generally seen as leaders and enablers focusing on the commercial implications, with practical assessments of salon capabilities or needs for adaptation. Longer term this should evolve to a resource mapping needs against capability.

Both sets of stylists need to discuss the capability to transfer certain styles from the specialist to the very good hairdresser. They must consider whether is extra training needed, how can extreme styles be adapted to be viable in a 1 hour session and how will the different customer types react to modifications to suit time and funds?

Level 1 answers were shorter, simpler versions of the level 3 ones. The process was well understood and the difference was in the amount of detail applied from the scenario and in the enlightenment of possible problems in sharing trade secret or exclusive skillsets.

#### Task 4

This was a straightforward technical question that had to be applied to the scenario. Good candidates quickly highlighted the factors required to allow capitalisation under IAS38 and, by addressing each of the factors, were able to demonstrate sound knowledge to reject the possibility. Good answers took each point in turn and explored both sides. Weaker answers basically highlighted one element. Level 1 answers showed little appreciation of the requirements.

Lastly, candidates were invited to identify and evaluate the challenges associated with conducting a value analysis of the costs incurred in running Privat. Level 3 answers looked straight to the facts provided in the scenario and, taking each in turn, identified whether and to what extent a value analysis would be possible and worthwhile. Level 3 answers were able to isolate key challenges, while level 1 answers tended to be generic perhaps only identifying one element and not evaluating it.

Level 3 answers recognised that to fully appreciate the value of each of the components you would have to find a way to break them down and isolate the service, perhaps measuring the size of the hole which has been made by the removal of each individual component.



## Management Level Case Study May - August 2025

### Marking Guidance

#### Variant 1

##### About this marking scheme

This marking scheme has been prepared for the CGMA Professional Qualification Management Case Study [May - August 2025].

The indicative answers will show the expected or most orthodox approach; however, the nature of the case study examination tasks means that a range of responses will be valid. The descriptors within this level-based marking scheme are holistic and can accommodate a range of acceptable responses.

General marking guidance is given below, and markers are subject to extensive training, standardisation activities and ongoing monitoring to ensure that judgements are made correctly and consistently.

Care must be taken not to make too many assumptions about future marking schemes on the basis of this document. While the guiding principles remain constant, details may change depending on the content of a particular case study examination form.

##### General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks. Markers should mark according to the marking scheme and not their perception of where the passing standard may lie. Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

## How to use this levels-based marking scheme

### 1. Read the candidate's response in full

### 2. Select the level

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

### 3. Select a mark within the level

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

## Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Evaluate opportunities to add value	60%
(b)	E	Manage internal and external stakeholders	40%
Section 2			
(a)	B	Implement senior management decisions	60%
(b)	A	Evaluate opportunities to add value	40%
Section 3			
(a)	C	Manage performance and costs to aid value creation	40%
(b)	D	Measure performance	60%
Section 4			
(a)	C	Manage performance and costs to aid value creation	60%
(b)	E	Manage internal and external stakeholders	40%

SECTION 1			
<b>Task (a) Explain</b> with reasons whether it would be sensible for Trimayr's Pop and Sheen salons to increase prices in order to recover the cost of increasing apprentice wages.			
<b>Trait</b>			
1 <sup>st</sup> argument	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an argument	1
	Level 2	Offers an explanation for the argument	2-3
	Level 3	Explains the argument with justification	4
2 <sup>nd</sup> argument	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an argument	1
	Level 2	Offers an explanation for the argument	2-3
	Level 3	Explains the argument with justification	4
3 <sup>rd</sup> argument	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an argument	1
	Level 2	Offers an explanation for the argument	2-3
	Level 3	Explains the argument with justification	4
4 <sup>th</sup> argument	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an argument	1
	Level 2	Offers an explanation for the argument	2
	Level 3	Explains the argument with justification	3
<b>Task (b) Evaluate</b> the possibility that increasing new apprentice wages in isolation will lead to conflict within salons.			
<b>Trait</b>			
Sources of conflict	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes sources of conflict	1
	Level 2	Explains sources of conflict	2-3
	Level 3	Offers a detailed explanation of sources	4-5
Evaluation of sources	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers some evaluation of conflict	1
	Level 2	Offers evaluation of sources	2-3
	Level 3	Offers a detailed evaluation of sources	4-5

**SECTION 2**

**Task (a) Identify** with reasons the skills that will be required by the project manager who will take charge of the project to design and implement the recruitment campaign if it proceeds.

<b>Trait</b>			
Skills	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Lists skills	1-2
	Level 2	Describes skills	3-5
	Level 3	Describes skills in detail	6-8
Reasons	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Explains reasons	1-2
	Level 2	Explains reasons in detail	3-5
	Level 3	Explains reasons in detail with justification	6-7

**Task (b) Identify and evaluate** the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of the proposed recruitment campaign.

<b>Trait</b>			
Difficulties	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Lists difficulties	1
	Level 2	Describes difficulties	2-3
	Level 3	Offers a detailed description of difficulties	4-5
Evaluation of difficulties	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers some evaluation	1
	Level 2	Evaluates all difficulties	2-3
	Level 3	Evaluates all difficulties with justification	4-5

**SECTION 3**

**Task (a) Recommend** with reasons the ways in which total quality management (TQM) concepts might be incorporated into the initial training and induction of apprentices.

<b>Trait</b>			
100% quality	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines 100% quality	1
	Level 2	Offers a recommendation	2-3
	Level 3	Offers a recommendation with justification	4-5
Continuous improvement	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines continuous improvement	1
	Level 2	Offers a recommendation	2-3
	Level 3	Offers a recommendation with justification	4-5

**Task (b) Recommend** with reasons the appropriate accounting treatment for the costs incurred by Trimayr in the creation of the proposed training and induction materials, and for the wages paid by salons to apprentices for time spent being trained by salon staff.

<b>Trait</b>			
IAS38	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies IAS38	1
	Level 2	Distinguishes an asset from expense	2-3
	Level 3	Distinguishes an asset from expense with justification	4-5
Initial recognition	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies recognition issues	1
	Level 2	Explains recognition issues	2-3
	Level 3	Explains recognition issues with justification	4-5
Amortisation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a need for amortisation	1
	Level 2	Explains the need for amortisation	2-3
	Level 3	Explains the need for amortisation with justification	4-5

**SECTION 4**

**Task (a) Evaluate** the product, product reputation and operational risks that the creation of the interactive induction course will create for Trimayr and recommend suitable responses.

<b>Trait</b>			
Product risk	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Product reputation risk	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Operational risk	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5

**Task (b) Recommend** with reasons the most positive disclosures concerning the course materials that we can make in our integrated report in relation to Trimayr's intellectual capital, human capital and social and relationship capital.

<b>Trait</b>			
Intellectual capital	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends a disclosure	2-3
	Level 3	Recommends a disclosure with an explanation	4
Human capital	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends a disclosure	2
	Level 3	Recommends a disclosure with an explanation	3
Social and relationship capital	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends a disclosure	2
	Level 3	Recommends a disclosure with an explanation	3

## Management Level Case Study May – August 2025

### Marking Guidance

#### Variant 2

##### About this marking scheme

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- 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.

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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	Evaluate opportunities to add value	40%
(b)	C	Implement senior management decisions	60%
Section 2			
(a)	D	Measure performance	40%
(b)	A	Evaluate opportunities to add value	60%
Section 3			
(a)	E	Manage internal and external stakeholders	60%
(b)	D	Measure performance	40%
Section 4			
(a)	C	Implement senior management decisions	40%
(b)	B	Implement senior management decisions	60%

**SECTION 1**

**Task (a) Evaluate** the implications of the divestment of these salons for Trimayr's ability to define value and capture residual value as specified in its business model.

**Trait**

Defining value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Evaluates the implication	2-3
	Level 3	Evaluates the implication with justification	4-5
Creating value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Evaluates the implication	2-3
	Level 3	Evaluates the implication with justification	4-5

**Task (b) Discuss** the implications of the fact that the performance of Trimayr owned and operated salons often improves when they are franchised.

**Trait**

1 <sup>st</sup> implication	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Discusses the implication	2-3
	Level 3	Discusses the implication with some justification	4
2 <sup>nd</sup> implication	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Discusses the implication	2-3
	Level 3	Discusses the implication with some justification	4
3 <sup>rd</sup> implication	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Discusses the implication	2-3
	Level 3	Discusses the implication with some justification	4
4 <sup>th</sup> implication	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Discusses the implication	2
	Level 3	Discusses the implication with some justification	3

SECTION 2			
<b>Task (a) Recommend</b> with reasons the approach that should be taken to benchmarking the performance of the divested salons.			
<b>Trait</b>			
Recommendation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Suggests an approach	1
	Level 2	Recommends the approach	2-3
	Level 3	Offers a detailed recommendation	4-5
Reasons	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Suggests reasons	1
	Level 2	Discusses reasons	2-3
	Level 3	Discusses reasons with justification	4-5
<b>Task (b) Identify and evaluate</b> the challenges faced by the franchise principals of the newly-divested salons in setting selling prices that maximise their profits.			
<b>Trait</b>			
1 <sup>st</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a challenge	1
	Level 2	Evaluates the challenge	2-3
	Level 3	Evaluates the challenge with justification	4-5
2 <sup>nd</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a challenge	1
	Level 2	Evaluates the challenge	2-3
	Level 3	Evaluates the challenge with justification	4-5
3 <sup>rd</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a challenge	1
	Level 2	Evaluates the challenge	2-3
	Level 3	Evaluates the challenge with justification	4-5

**SECTION 3**

**Task (a) Identify and evaluate** the issues likely to be discussed when negotiating the selling prices for these salons.

<b>Trait</b>			
1 <sup>st</sup> issue	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes a negotiation issue	1
	Level 2	Evaluates the negotiation issue	2-3
	Level 3	Evaluates the negotiation issue with justification	4-5
2 <sup>nd</sup> issue	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes a negotiation issue	1
	Level 2	Evaluates the negotiation issue	2-3
	Level 3	Evaluates the negotiation issue with justification	4-5
3 <sup>rd</sup> issue	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes a negotiation issue	1
	Level 2	Evaluates the negotiation issue	2-3
	Level 3	Evaluates the negotiation issue with justification	4-5

**Task (b) Identify and explain** the limitations of the ROCE calculation described by Barbara Wolnik for the purpose of negotiating selling prices with prospective salon principals.

<b>Trait</b>			
1 <sup>st</sup> limitation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a limitation	1
	Level 2	Explains the limitation	2-3
	Level 3	Explains the limitation with justification	4
2 <sup>nd</sup> limitation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a limitation	1
	Level 2	Explains the limitation	2
	Level 3	Explains the limitation with justification	3
3 <sup>rd</sup> limitation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a limitation	1
	Level 2	Explains the limitation	2
	Level 3	Explains the limitation with justification	3

**SECTION 4**

**Task (a) Identify and evaluate** the product reputation and contractual inadequacy risks associated with the divestment of 40 Trimayr Pop salons as going concerns.

<b>Trait</b>			
Product reputation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines a risk	1
	Level 2	Evaluates the risk	2-3
	Level 3	Evaluates the risk with justification	4-5
Contractual inadequacy	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines a risk	1
	Level 2	Evaluates the risk	2-3
	Level 3	Evaluates the risk with justification	4-5

**Task (b) Identify and explain** the characteristics of debt that would make it beneficial for Trimayr to use the D\$20 million that it will receive from the divestment to make a partial repayment of the company's long-term debt.

<b>Trait</b>			
1 <sup>st</sup> characteristic	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a characteristic	1
	Level 2	Explains the characteristic	2-3
	Level 3	Explains the characteristic with justification	4-5
2 <sup>nd</sup> characteristic	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a characteristic	1
	Level 2	Explains the characteristic	2-3
	Level 3	Explains the characteristic with justification	4-5
3 <sup>rd</sup> characteristic	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a characteristic	1
	Level 2	Explains the characteristic	2-3
	Level 3	Explains the characteristic with justification	4-5

## Management Level Case Study May - August 2025

### Marking Guidance

#### Variant 3

##### About this marking scheme

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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.
- 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.
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## Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	C	Manage performance and costs to aid value creation	60%
(b)	A	Evaluate opportunities to add value	40%
Section 2			
(a)	A	Evaluate opportunities to add value	40%
(b)	D	Measure performance	60%
Section 3			
(a)	B	Implement senior management decisions	60%
(b)	C	Manage performance and costs to aid value creation	40%
Section 4			
(a)	D	Measure performance	40%
(b)	E	Manage internal and external stakeholders	60%



**SECTION 1**

**Task (a) Identify** the leadership challenges that will be faced by the replacement Head of School and recommend with reasons the leadership styles that will be most suitable for the replacement Head of School for the management of hairdressing and business training.

<b>Trait</b>			
Hairdressing	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a style	1-2
	Level 2	Recommends the style	3-5
	Level 3	Recommends the style with justification	6-8
Business	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies a style	1-2
	Level 2	Recommends the style	3-5
	Level 3	Recommends the style with justification	6-7
<b>Task (b) Recommend</b> with reasons how Trimayr's business intelligence system might be used to assist in setting selection criteria for the replacement Head of School.			
<b>Trait</b>			
1 <sup>st</sup> recommendation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers a recommendation	1
	Level 2	Offers the recommendation with reasons	2-3
	Level 3	Offers the recommendation with reasons and justification	4-5
2 <sup>nd</sup> recommendation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers a recommendation	1
	Level 2	Offers the recommendation with reasons	2-3
	Level 3	Offers the recommendation with reasons and justification	4-5

**SECTION 2**

**Task (a) Identify and evaluate** the implications of the significant increase in the use of volunteers at the Academy for defining value and creating value in accordance with Trimayr's business model.

<b>Trait</b>			
Defining value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Evaluates the implication	2-3
	Level 3	Evaluates the implication with justification	4-5
Creating value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies an implication	1
	Level 2	Evaluates the implication	2-3
	Level 3	Evaluates the implication with justification	4-5
<b>Task (b) Evaluate</b> the risks that there will be insufficient demand from volunteers or that Trimayr will suffer because of contractual inadequacy.			
<b>Trait</b>			
Insufficient demand	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes a risk	1-2
	Level 2	Evaluates the risk	3-5
	Level 3	Evaluates the risk with justification	6-8
Contractual inadequacy	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes a risk	1-2
	Level 2	Evaluates the risk	3-5
	Level 3	Evaluates the risk with justification	6-7

**SECTION 3**

**Task (a) Identify** the characteristics of debt and equity that affect their suitability for the funding of the proposed D\$28 million initial investment in the Academy and recommend the more suitable source of funds, stating reasons.

<b>Trait</b>			
<b>Debt</b>	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Lists characteristics	1-2
	Level 2	Links characteristics to suitability	3-5
	Level 3	Links characteristics to suitability with justification	6-8
<b>Equity</b>	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Lists characteristics	1-2
	Level 2	Links characteristics to suitability	3-5
	Level 3	Links characteristics to suitability with justification	6-7

**Task (b) Evaluate** with reasons the arguments for and against establishing the Academy as an investment centre.

<b>Trait</b>			
Arguments for	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes advantages of an investment centre	1
	Level 2	Evaluates advantages of an investment centre	2-3
	Level 3	Evaluates advantages of an investment centre with justification	4-5
Arguments against	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes disadvantages of an investment centre	1
	Level 2	Evaluates disadvantages of an investment centre	2-3
	Level 3	Evaluates disadvantages of an investment centre with justification	4-5

## SECTION 4

**Task (a) Recommend** with reasons two key performance indicators that could be used by the Board to evaluate the Academy's performance.

<b>Trait</b>			
1 <sup>st</sup> indicator	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes an indicator	1
	Level 2	Describes the indicator in detail	2-3
	Level 3	Describes the indicator in detail with justification	4-5
2 <sup>nd</sup> indicator	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes an indicator	1
	Level 2	Describes the indicator in detail	2-3
	Level 3	Describes the indicator in detail with justification	4-5

**Task (b) Recommend** with reasons the disclosures that should be made in Trimayr's Integrated Report in relation to the Academy's impact on Trimayr's intellectual capital, human capital, social and relationship capital.

<b>Trait</b>			
Intellectual capital	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5
Human capital	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5
Social and relationship capital	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Defines capital	1
	Level 2	Recommends disclosures	2-3
	Level 3	Recommends disclosures with justification	4-5

## Management Level Case Study May – August 2025

### Marking Guidance

#### Variant 4

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## How to use this levels-based marking scheme

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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)	C	Manage performance and costs to aid value creation	40%
(b)	E	Manage internal and external stakeholders	60%
Section 2			
(a)	A	Evaluate opportunities to add value	60%
(b)	D	Measure performance	40%
Section 3			
(a)	C	Manage performance and costs to aid value creation	40%
(b)	B	Implement senior management decisions	60%
Section 4			
(a)	D	Measure performance	60%
(b)	E	Manage internal and external stakeholders	40%

**SECTION 1**

**Task (a) Recommend** with reasons the manner in which Glaxus should be established as a responsibility centre after it has been acquired as a 100% subsidiary of the Trimayr Group.

<b>Trait</b>			
1 <sup>st</sup> argument	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies profit centre	1
	Level 2	Offers argument in support	2-3
	Level 3	Offers argument in support with justification	4-5
2 <sup>nd</sup> argument	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers further argument	1
	Level 2	Offers argument in support	2-3
	Level 3	Offers argument in support with justification	4-5

**Task (b) Explain** how the acquisition of Glaxus as a foreign subsidiary will affect the Trimayr Group's reported performance.

<b>Trait</b>			
IAS 21	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies IAS 21	1
	Level 2	Describes accounting issues	2-3
	Level 3	Offers detailed explanation of the accounting issues	4-5
SOFP	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies impact on SOFP	1
	Level 2	Explains impact on interpretation	2-3
	Level 3	Explains impact on interpretation with justification	4-5
SOPL	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies impact on SOPL	1
	Level 2	Explains impact on interpretation	2-3
	Level 3	Explains impact on interpretation with justification	4-5



**SECTION 2**

**Task (a) Evaluate** the arguments both for and against regarding Scan40 as a disruptive technology.

<b>Trait</b>			
Arguments for	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes arguments for disruptive technology	1-2
	Level 2	Evaluates arguments for disruptive technology	3-5
	Level 3	Evaluates arguments for disruptive technology with justification	6-8
Arguments against	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes arguments against disruptive technology	1-2
	Level 2	Evaluates arguments against disruptive technology	3-5
	Level 3	Evaluates arguments against disruptive technology with justification	6-7

**Task (b) Recommend** with reasons the accounting treatment that salons should adopt for the D\$100 charges for Scan40 hair scans.

<b>Trait</b>			
IFRS 15	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies IFRS	1
	Level 2	Describes requirements	2-3
	Level 3	Describes requirements in detail	4-5
Application	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes application to scenario	1
	Level 2	Recommends application to scenario	2-3
	Level 3	Recommends application to scenario with justification	4-5

**SECTION 3**

**Task (a) Evaluate** the difficulties associated with applying target costing to the design issues described by Juan Leiva in order to set a suitable selling price for Scan40 products.

**Trait**

1 <sup>st</sup> difficulty	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2 <sup>nd</sup> difficulty	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5

**Task (b) Recommend** with reasons the steps that should be undertaken by Trimayr to establish a project team that can take responsibility for the design work to be completed on the Scan40 products.

**Trait**

1 <sup>st</sup> step	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies step	1
	Level 2	Recommends step	2-3
	Level 3	Recommends step with justification	4-5
2 <sup>nd</sup> step	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies step	1
	Level 2	Recommends step	2-3
	Level 3	Recommends step with justification	4-5
3 <sup>rd</sup> step	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies step	1
	Level 2	Recommends step	2-3
	Level 3	Recommends step with justification	4-5

**SECTION 4**

**Task (a) Identify and evaluate** the product reputation risk and the contractual inadequacy risk that arise from this extract.

<b>Trait</b>			
Product reputation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies risk	1-2
	Level 2	Evaluates risk	3-5
	Level 3	Evaluates risk with justification	6-8
Contractual inadequacy	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies risk	1-2
	Level 2	Evaluates risk	3-5
	Level 3	Evaluates risk with justification	6-7
<b>Task (b) Recommend</b> with reasons whether Glaxus should set selling prices for products sales to Trimayr in D\$ or J\$.			
<b>Trait</b>			
J\$	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes issues	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4-5
D\$	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes issues	1
	Level 2	Offers recommendation	2-3
	Level 3	Offers recommendation with justification	4-5

## Management Level Case Study May – August 2025

### Marking Guidance

#### Variant 5

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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)	D	Measure performance	60%
(b)	A	Evaluate opportunities to add value	40%
Section 2			
(a)	A	Evaluate opportunities to add value	40%
(b)	C	Manage performance and costs to aid value creation	60%
Section 3			
(a)	B	Implement senior management decisions	60%
(b)	C	Manage performance and costs to aid value creation	40%
Section 4			
(a)	B	Implement senior management decisions	40%
(b)	E	Manage internal and external stakeholders	60%

**SECTION 1**

**Task (a) Recommend** with reasons three key ratios that might be used to compare the performances of salons from Trimayr's perspective. For each ratio, indicate with reasons whether it should be based on monthly or annual figures.

<b>Trait</b>			
1 <sup>st</sup> ratio	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains ratio	2-3
	Level 3	Explains ratio with justification	4-5
2 <sup>nd</sup> ratio	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains ratio	2-3
	Level 3	Explains ratio with justification	4-5
3 <sup>rd</sup> ratio	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies ratio	1
	Level 2	Explains ratio	2-3
	Level 3	Explains ratio with justification	4-5
<b>Task (b) Evaluate</b> the arguments for and against permitting individual salons to set their own prices for hairdressing and the resale of hairdressing products.			
<b>Trait</b>			
Arguments for	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes arguments for setting	1
	Level 2	Evaluates arguments for setting	2-3
	Level 3	Evaluates arguments for setting with justification	4-5
Arguments against	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes arguments against setting	1
	Level 2	Evaluates arguments against setting	2-3
	Level 3	Evaluates arguments against setting with justification	4-5

**SECTION 2**

**Task (a) Recommend** with reasons the ways in which Trimayr's business intelligence system (BIS) might be used to improve Trimayr's use of the reviews that are available on social media.

**Trait**

1 <sup>st</sup> use	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies use of BIS	1
	Level 2	Recommends use of BIS	2-3
	Level 3	Recommends use of BIS with justification	4-5
2 <sup>nd</sup> use	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies use of BIS	1
	Level 2	Recommends use of BIS	2-3
	Level 3	Recommends use of BIS with justification	4-5

**Task (b) Identify and evaluate** the challenges faced by franchise principals in empowering and engaging their staff in order to improve customer feedback.

**Trait**

1 <sup>st</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
2 <sup>nd</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
3 <sup>rd</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5



**SECTION 3**

**Task (a) Evaluate** the characteristics of debt and equity that would indicate which would be the more suitable for financing the D\$30 million required for this investment in owned and operated salons.

<b>Trait</b>			
Debt	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes characteristics	1-2
	Level 2	Evaluates characteristics	3-5
	Level 3	Evaluates characteristics in a relevant manner	6-8
Equity	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes characteristics	1-2
	Level 2	Evaluates characteristics	3-5
	Level 3	Evaluates characteristics in a relevant manner	6-7

**Task (b) Evaluate** the arguments for and against organising the new owned and operated Trimayr Sheen salons as an investment centre.

<b>Trait</b>			
Arguments for	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes arguments for	1
	Level 2	Evaluates arguments for	2-3
	Level 3	Evaluates arguments for with justification	4-5
Arguments against	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes arguments against	1
	Level 2	Evaluates arguments against	2-3
	Level 3	Evaluates arguments against with justification	4-5

**SECTION 4**

**Task (a) Recommend** with reasons ways in which Franchise Management can identify average hairdressers who are currently employed by Trimayr Pop salons.

<b>Trait</b>			
1 <sup>st</sup> way	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes way	1
	Level 2	Recommends way	2-3
	Level 3	Recommends way with some justification	4
2 <sup>nd</sup> way	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes way	1
	Level 2	Recommends way	2
	Level 3	Recommends way with some justification	3
3 <sup>rd</sup> way	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes way	1
	Level 2	Recommends way	2
	Level 3	Recommends way with some justification	3

**Task (b) Evaluate** three difficulties associated with using transfer pricing to encourage the transfer of above average hairdressers from existing Pop salons to the new Sheen salons.

<b>Trait</b>			
1 <sup>st</sup> difficulty	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2 <sup>nd</sup> difficulty	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
3 <sup>rd</sup> difficulty	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5

## Management Level Case Study May – August 2025

### Marking Guidance

#### Variant 6

##### About this marking scheme

This marking scheme has been prepared for the CIMA 2019 professional qualification Management Case Study [May 2025 – August 2025].

The indicative answers will show the expected or most orthodox approach; however, the nature of the case study examination tasks means that a range of responses will be valid. The descriptors within this level-based marking scheme are holistic and can accommodate a range of acceptable responses.

General marking guidance is given below, and markers are subject to extensive training, standardisation activities and ongoing monitoring to ensure that judgements are made correctly and consistently.

Care must be taken not to make too many assumptions about future marking schemes on the basis of this document. While the guiding principles remain constant, details may change depending on the content of a particular case study examination form.

##### General marking guidance

- Marking schemes should be applied positively, with candidates rewarded for what they have demonstrated and not penalised for omissions.
- All marks on the scheme are designed to be awarded and full marks should be awarded when all level descriptor criteria are met.
- The marking scheme and indicative answers are provided as a guide to markers. They are not intended to be exhaustive and other valid approaches must be rewarded. Equally, students do not have to make all of the points mentioned in the indicative answers to receive the highest level of the marking scheme.
- An answer which does not address the requirements of the task must be awarded no marks. Markers should mark according to the marking scheme and not their perception of where the passing standard may lie. Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

## How to use this levels-based marking scheme

### 1. Read the candidate's response in full

### 2. Select the level

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

### 3. Select a mark within the level

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

## Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	A	Evaluate opportunities to add value	40%
(b)	E	Manage internal and external stakeholders	60%
Section 2			
(a)	A	Evaluate opportunities to add value	60%
(b)	C	Manage performance and costs to aid value creation	40%
Section 3			
(a)	D	Measure performance	40%
(b)	B	Implement senior management decisions	60%
Section 4			
(a)	D	Measure performance	40%
(b)	C	Manage performance and costs to aid value creation	60%

SECTION 1			
<b>Task (a) Identify and evaluate</b> the difficulties associated with predicting the cash flows to be used in calculating the net present value (NPV) of the acquisition of Privat.			
<b>Trait</b>			
1 <sup>st</sup> difficulty	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
2 <sup>nd</sup> difficulty	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Evaluates difficulty	2-3
	Level 3	Evaluates difficulty with justification	4-5
<b>Task (b) Identify and evaluate</b> the challenges associated with determining and accounting for the goodwill on the acquisition of Privat.			
<b>Trait</b>			
1 <sup>st</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
2 <sup>nd</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
3 <sup>rd</sup> challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5

**SECTION 2**

**Task (a) Recommend** with reasons how Privat's operations might contribute to and strengthen Trimayr's business model.

<b>Trait</b>			
Defining value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers recommendation	1
	Level 2	Offers recommendation with reasons	2-3
	Level 3	Offers recommendation with developed reasons	4
Creating value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers recommendation	1
	Level 2	Offers recommendation with reasons	2-3
	Level 3	Offers recommendation with developed reasons	4
Delivering value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers recommendation	1
	Level 2	Offers recommendation with reasons	2-3
	Level 3	Offers recommendation with developed reasons	4
Capturing residual value	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers recommendation	1
	Level 2	Offers recommendation with reasons	2
	Level 3	Offers recommendation with developed reasons	3

**Task (b) Recommend** with reasons the performance measures that Trimayr's Board might require from Privat on a monthly basis.

<b>Trait</b>			
1 <sup>st</sup> measure	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes measure	1
	Level 2	Explains measure	2-3
	Level 3	Explains measure with justification	4
2 <sup>nd</sup> measure	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes measure	1
	Level 2	Explains measure	2
	Level 3	Explains measure with justification	3
3 <sup>rd</sup> measure	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes measure	1
	Level 2	Explains measure	2
	Level 3	Explains measure with justification	3

**SECTION 3**

**Task (a) Identify and evaluate** the product reputation and the contractual inadequacy risks that might arise from Trimayr advertising on the basis of its ownership of Privat.

<b>Trait</b>			
Product reputation	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5
Contractual inadequacy	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes risk	1
	Level 2	Evaluates risk	2-3
	Level 3	Evaluates risk with justification	4-5

**Task (b) Recommend** with reasons the roles that salon principals, hairdressers from Trimayr Pop and Sheen salons and hairdressers from Privat should have in the proposed project team.

<b>Trait</b>			
Salon principals	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes role	1
	Level 2	Describes role with reasons	2-3
	Level 3	Describes role and justifies reasons	4-5
Pop and Sheen hairdressers	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes role	1
	Level 2	Describes role with reasons	2-3
	Level 3	Describes role and justifies reasons	4-5
Privat hairdressers	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Describes role	1
	Level 2	Describes role with reasons	2-3
	Level 3	Describes role and justifies reasons	4-5



**SECTION 4**

**Task (a) Recommend** with reasons whether it would be acceptable to capitalise the costs incurred in Privat's involvement with the Dazzland Theatre Awards and similar events as intangible, non-current assets.

<b>Trait</b>			
IAS 38	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers argument	1
	Level 2	Develops argument	2-3
	Level 3	Develops argument with justification	4-5
Wider arguments	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Offers argument	1
	Level 2	Develops argument	2-3
	Level 3	Develops argument with justification	4-5
<b>Task (b) Identify and evaluate</b> the challenges associated with conducting a value analysis of the costs incurred in running Privat.			
<b>Trait</b>			
First challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
Second challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5
Third challenge	<b>Level</b>	<b>Descriptor</b>	<b>Marks</b>
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4-5