

Management level case study – Interim Examiner’s report

May & August 2022 exam session

The purpose of this document is to give some feedback on the May 2022 Management Case Study (MCS). It also aims to provide some useful advice for candidates who were unsuccessful in May 2022 and are preparing to re-sit in August 2022. The August 2022 exam will be based on the same pre-seen as May 2022, although the unseen material introduced in May 2022 will not be relevant to August 2022.

The full set of post-exam materials (applying to both May and August 2022) including the full examiner’s report, along with model answers, variants and marking schemes will be available 2 weeks after the August 2022 exam results are released.

General comments

This case study was based on Piping, a company that manufactures tea. Tea is made from the leaves of a shrub called *Camellia sinensis*, which is grown in the mountainous regions of South Asia and East Africa. Piping imports tea leaves from those regions and processes the leaves to make teabags and packets of loose tea for sale to supermarkets and other retailers. The pre-seen document was made available far in advance of the exam. It describes the tea market, the process of growing leaves and their conversion into consumer products.

Each variant consisted of four tasks, each of which was equally weighted. Each task was subdivided into two requirements, with a recommendation as to the percentage of the available time that should be spent on each requirement.

Candidates were expected to familiarise themselves with Piping’s business. Tea is a popular beverage that is consumed in large quantities in many countries. Piping has a reputation for selling good quality tea in its home country. Strong demand from tea drinkers makes this a competitive industry. There is scope for innovation in terms of blends of different leaves and packaging.

In relation to the core activities, the following comments are relevant:

<p>A</p>	<p>Evaluate opportunities to add value</p>	<p>This core activity represents between 15 – 25% of the marks available in the MCS blueprint.</p> <p>The MCS often asks candidates to offer advice in support of strategic decisions that are under consideration by the Board. This core activity frequently asks candidates to advise the Board on practical matters arising from such decisions. The Board may have identified a potential opportunity and is seeking advice on specific implementation issues before reaching a final decision. The Board may wish candidates to recommend suitable decision-making models or to advise on the use of a particular model.</p> <p>Level 3 answers generally reflected the fact that decision-making models are intended to support decisions and are not intended to be applied mechanically. Candidates scoring level 3 marks generally used models to organise their thought and to offer recommendations that reflected the strengths and weaknesses of those models. Such answers generally focussed on the specific business issues arising from the scenario.</p> <p>Level 1 answers were more inclined to offer summaries of study materials, describe the models and summarise the situations in which they might be used. Candidates scoring level 1 marks often seemed to have lost sight of the fact that their role was to advise their employer’s senior management team. In the real world, senior managers will require advice that is tailored to the entity’s specific circumstances.</p>
<p>B</p>	<p>Implement senior management decisions</p>	<p>This core activity represents between 15 – 25% of the marks available in the MCS blueprint.</p> <p>The MCS frequently requires candidates to address implementation issues associated with putting decisions made by senior managers into effect. The nature of implementation issues varies according to the extent to which it requires change within the entity. Candidates may have to draw upon their understanding of the entity, based on their reading of the pre-seen, to determine the need for change associated with the new direction that is to be taken.</p>

		<p>Level 3 answers generally reflected an understanding of the specific challenges that implementation would bring about for Piping. Changes to the business must be managed in such a way as to maximise the benefits and minimise the costs. Some changes will raise more concerns than others, and so candidates should be prepared to advise senior management about the significance of any implementation.</p> <p>Level 1 answers often described the changes with a little real attempt to address the significance of those changes or the difficulties that might arise from them. Conversely, some level 1 answers overstated the impact of the changes and so offered an unrealistic response to the resolution of the implementation issues.</p>
C	Manage performance and costs to aid value creation	<p>This core activity represents between 15 – 25% of the marks available in the MCS blueprint.</p> <p>The MCS often raises issues relating to performance measurement and the impact that performance measurement might have for motivation and cooperation. Candidates should be prepared to offer realistic advice concerning the approach that senior management should take to managing the performance of managers at lower levels within the entity.</p> <p>Level 3 answers generally recognised the need to measure performance in a manner that aligns the interests of decision-makers with those of the entity itself. Candidates at this level generally demonstrated an awareness of the impact that performance measurement can have on motivation and the risks that unsuitable measures can encourage dysfunctional behaviour.</p> <p>Level 1 answers often comprised little more than a description of the various available performance measures, with little or no attempt to offer a specific recommendation out of the options that had been listed. Senior management may require advice as to the impact that any performance measures will have on the motivation of their staff.</p>

D	Measure performance	<p>This core activity represents between 15 – 25% of the marks available in the MCS blueprint.</p> <p>The MCS often raises issues associated with external reporting, both in terms of financial statements and other external reports. Senior management may seek guidance on the reporting implications of a particular decision, both in terms of their impact on reported performance as well as the accounting choices that must be made to arrive at an acceptable treatment in published statements and reports.</p> <p>Level 3 answers recognised the need to apply professional judgement, both in terms of understanding any applicable reporting requirements and implementing those requirements in the context of the scenario. Level 3 answers also recognised the impact of the chosen accounting treatment on key measures of performance and financial position, such as profitability and gearing.</p> <p>Level 1 answers tended to restate the rules and summarise the definitions set out in accounting regulations. Case studies rarely test for recall of such material without also seeking some application to the scenario and often an explanation of how changes to the financial statements will affect stakeholders’ understanding of the entity’s performance and/or financial position.</p>
E	Manage internal and external stakeholders	<p>This core activity represents between 15 – 25% of the marks available in the MCS blueprint.</p> <p>The MCS often raises issues relating to the relationships between stakeholders, both internal and external. Senior management must consider the impact that their decisions will have on relationships within the entity and also on important relationships between the entity and third parties. Candidates must be capable of advising on those impacts.</p> <p>Level 3 answers identified the root cause of the conflict or conflicts arising from the scenario and recognised the fact that conflicts can rarely be resolved without some compromise. Candidates at this level generally identified the ongoing difficulties that are likely to be faced and recommended responses that might offer an acceptable response.</p> <p>Level 1 answers often attempted to offer unrealistic and unhelpful arguments, such as stating that an ideal outcome would meet the needs of all interested parties. While such an outcome would be</p>

		desirable, it would be unlikely to be possible in the case of most business relationships. It would have been preferable for candidates to have offered a recommendation that would have minimised the risks associated with confrontation, even if such a recommendation could not be regarded as ideal by either interested party.
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Specific comments to candidates

The following hints and tips should be considered if you plan to sit the Management Case Study in August 2022:

Before the exam:

1. It is important to revise and master the study materials. Mastery implies that you can explain the meaning of technical terms and definitions so that they can be understood by an intelligent colleague who does not have an accountancy background.
2. Review the pre-seen carefully. Piping makes good quality tea that is sold to retailers for resale to consumers. The pre-seen describes the issues arising from that business for Piping's management. There is no need to memorise the pre-seen, but it should inform answers to the various tasks in the case study.
3. Take time to prepare detailed written answers to past cases. The case study tests the ability to interpret and respond to practical situations. That requires skills that can be developed and improved by practising, even if the practice is based on past cases set in different industries.

During the exam:

1. Think about the requirements. Take a few minutes at the start of each task to digest the information that is provided with the requirements. Think about the issue raised in the task and think about how that should be managed by Piping. Make sure you answer the question that was asked.
2. Use your time wisely. Each task is broken down into two or three elements, and each element has a percentage to reflect its weighting. If you have 45 minutes for a task and sub-task (a) is worth 60%, then you should spend $45 \times 60\% = 27$ minutes on it.



3. Try not to waste time. For example, don't write out a formal definition just because you can, unless you believe that it will help you write a better developed and more relevant answer. Also, don't summarise a real-world business case that you read about when preparing, again, unless you believe that it is relevant to the requirement and supports your answer.

Please write in paragraphs. Don't waste time (and make your answer difficult to read) by an over-elaborate use of highlighting with bold or underlined text.