

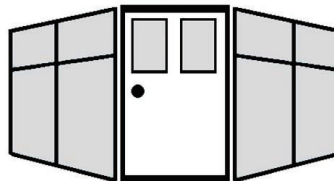


CIMA/CGMA
November 2024
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Management Case Study (MCS)

Preseen Application Note (PAN)

Shinyglas



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Chapter 1: Preseen Material Application

Summary from the preseen material

Company Overview

- **Shinyglas:** Largest double-glazed window and door manufacturer in Templand.
 - *Our Analysis:* **Market Dominance** means strong brand presence and pricing power, but requires sustained quality and innovation to maintain leadership.
- **Currency & Reporting:** Uses T\$; financials follow IFRS.
 - *Our Analysis:* **Regulatory Compliance** is critical; adherence to IFRS ensures transparency and comparability in financial reporting.
- **Role:** You are the Finance Manager, handling management accounting, reporting to Martin Thawani (Senior Finance Manager).
 - *Our Analysis:* **Strategic Financial Oversight** is required to align operations, cost management, and financial strategy.

Double-Glazing Basics

- **Traditional Windows:** Single-glass in wood frames, poor heat retention (up to 70% heat loss).
 - *Our Analysis:* **Market Opportunity** for double-glazing as a superior product in terms of insulation and efficiency.
- **Double-Glazing:** Two glass panes with sealed space (air or inert gas) reduce heat loss (only 10%-15%).
 - *Our Analysis:* **Energy Efficiency Selling Point** positions Shinyglas as a solution for cost savings and sustainability.
- **Advantages:** Improved insulation (lower energy bills), noise reduction, added security.
 - *Our Analysis:* **Value Proposition** enhances product appeal across residential and commercial markets.

Sealed Units

- **Components:** Two glass panes, spacer bar, adhesive for strong seal.
 - *Our Analysis:* **Quality of Seal** impacts product longevity and customer satisfaction; production quality is critical.

- **Failure Risk:** Seal can fail over time due to defects or temperature changes, causing condensation between panes.
 - *Our Analysis:* **Warranty Costs:** Managing seal failure reduces replacement expenses and protects brand reputation.

Glass Manufacturing

- **Float Glass Process:** Produces clear, flat glass for double-glazing.
 - *Our Analysis:* **Product Quality & Cost:** Float glass ensures uniformity, contributing to both product quality and production efficiency.
- **Types of Glass:**
 - **Tempered Glass:** Strong, shatters into safe pieces.
 - *Our Analysis:* **Safety & Durability:** Ideal for high-impact areas; reduces liability risks.
 - **Laminated Safety Glass:** Two layers bonded by resin, holds together if broken.
 - *Our Analysis:* **Security Feature:** Offers additional safety; positions Shinyglas as a high-quality solution.
 - **Frosted Glass:** Provides privacy.
 - *Our Analysis:* **Diverse Applications:** Expands market to areas needing both light and privacy (e.g., bathrooms).
 - **Acoustic Glass:** Better noise reduction.
 - *Our Analysis:* **Urban Market Appeal:** Ideal for noisy areas, enhancing product desirability in cities.

Frame Materials

- **uPVC:** Strong, weather-resistant plastic, often with internal metal reinforcement.
 - *Our Analysis:* **Durability & Low Maintenance:** uPVC frames offer a low-cost, long-term solution, appealing to cost-conscious consumers.
- **Aluminum:** Rigid, durable, resistant to rust, but can corrode with masonry contact.
 - *Our Analysis:* **Strength for Large Structures:** Aluminum frames cater to commercial and high-rise applications needing robust support.
- **Wood:** Natural, preferred for aesthetics and older buildings; more expensive and requires maintenance.
 - *Our Analysis:* **Niche Market Appeal:** Targets traditional buildings and high-end customers valuing aesthetics.

Manufacturing Process

- **uPVC/Aluminum Frames:** Preformed, cut to specific lengths for custom window sizes.
 - *Our Analysis: Customization & Efficiency:* Allows for tailored solutions while maintaining streamlined production processes.
- **Heavy Components:** Double-glazing units and frames are heavy, requiring sturdy hardware like hinges and locks.
 - *Our Analysis: Durability & Safety Requirements:* Ensuring structural integrity is crucial for product reliability and safety standards.

Usage in Doors & Windows

- **Commercial & Residential:** Double-glazing in both doors and windows, often made with tempered or laminated glass for safety.
 - *Our Analysis: Broad Market Coverage:* Versatility of products allows Shinyglas to serve both household consumers and businesses.
- **Domestic Doors:** Typically made of wood or uPVC with glass units for natural light.
 - *Our Analysis: Aesthetic & Practical Appeal:* Combining glass with materials like uPVC or wood enhances home aesthetics while maintaining insulation.

Double-Glazing Industry Overview

- **Industry Players:**
 - **Window Manufacturers:** Both national leaders and local small-scale companies. Large companies focus on a broad market with uPVC and aluminum; smaller ones specialize in high-end wood products.
 - *Our Analysis: Market Positioning:* In an exam or business context, analyze Shinyglas's strategy as a leading player, focusing on high quality and innovation to differentiate against cheaper alternatives.
 - **Sealed Unit Manufacturers:** Specialized suppliers producing standard and custom glass units.
 - *Our Analysis: Supply Chain Management:* Shinyglas relies on these suppliers; potential risk and cost efficiency issues could impact production timelines and quality.
 - **Installation Companies:** Typically local companies handling the technical aspect of installations.
 - *Our Analysis: Service Quality & Customer Satisfaction:* Installations directly affect customer experience; Shinyglas must ensure consistent standards to maintain its premium reputation.
 - **Maintenance & Repair Services:** Handle adjustments, replacements, and warranty claims.

- *Our Analysis: After-Sales Service Management:* Shinyglas needs strong after-sales support to reduce warranty costs and maintain brand loyalty.

Shinyglas Company Overview

- **History & Development:** Founded in 1962; became Templand's largest window manufacturer by the 1990s due to its focus on quality and brand reputation.
 - *Our Analysis: Brand Loyalty & Competitive Edge:* Exam scenarios may test on leveraging Shinyglas's brand to maintain premium pricing, despite higher production costs.
- **Advertising & Innovation:** Heavy investment in marketing; first to offer uPVC in Templand and continuously develops new product features.
 - *Our Analysis: Marketing Strategy & R&D Focus:* Emphasizing innovation and quality helps maintain brand equity and market position, allowing Shinyglas to justify premium pricing.

Manufacturing Process

- **Frame Production:** Own factory cuts and assembles uPVC and aluminum frames. Components are designed for strength and minimal material use.
 - *Our Analysis: Cost Efficiency & Quality Control:* Tight manufacturing processes are crucial for cost control. Streamlining production without compromising quality could be a focal point in exam analysis.
- **Glass & Accessories Sourcing:** Sealed units and accessories (e.g., locks, hinges) are purchased from third parties.
 - *Our Analysis: Supply Chain Reliance:* Exam questions may explore supply chain risks, potential cost savings, or strategies to secure better terms with suppliers.

Sales & Distribution

- **Sales Force:** 550 commission-based, self-employed agents with training programs and performance-based incentives.
 - *Our Analysis: Sales Performance & Cost Management:* Balancing high commissions against profitability. Maximizing sales without excessive discounting is key to protecting margins.
- **Sales Strategy:** Online scheduling system for sales visits; flexible pricing with up to 60% discount authorization.
 - *Our Analysis: Pricing Strategy & Customer Engagement:* Managing the trade-off between sales volume and discounting. Sales strategy directly impacts profitability.

Product Offerings & Customization

- **Window Design Flexibility:** Standard single-glass units, optional ventilation windows, and more complex designs with multiple panes for safety and functionality.
 - *Our Analysis: **Product Mix & Customer Needs:*** Understanding different customer segments (price-sensitive vs. quality-focused) and offering tailored solutions to maximize sales opportunities.

Customer Financing

- **Partnership with Financial Institution:** Provides loans to customers for expensive double-glazing products, with Shinyglas earning a commission on approved loans.
 - *Our Analysis: **Financial Flexibility & Sales Growth:*** Exam questions may explore how financing drives sales, especially for large orders, and the potential financial risks involved.

Installation Network

- **Third-Party Installers:** 40 companies with 650 installers handle measurement, design verification, and installation, ensuring quality and adherence to regulations.
 - *Our Analysis: **Quality Assurance & Customer Service:*** Exam scenarios could focus on managing third-party relationships to maintain service quality and customer satisfaction, balancing control vs. cost.

Customer Service & Warranties

- **10-Year Warranty:** Covers manufacturing defects and installation errors, but excludes accidental damage and seal failure after 12 months.
 - *Our Analysis: **Warranty Costs & Reputation Management:*** Ensuring proper product quality minimizes warranty claims, protecting margins and maintaining brand trust.

Marketing & Customer Feedback

- **Marketing:** High competition in the window replacement market; uses various media to maintain a quality-focused brand image.
 - *Our Analysis: **Customer Perception & Differentiation:*** Effective marketing is key to sustaining Shinyglas's market leader position, especially in a premium pricing model.
- **Customer Feedback Loop:** Post-installation feedback informs sales and operations; consistently positive reviews lead to more work for installers.
 - *Our Analysis: **Continuous Improvement & Customer Loyalty:*** Utilizing feedback effectively improves products, services, and customer satisfaction, driving future sales.

Shinyglas Business Model Summary

Business Goal

- Maintain market leadership as the largest window and door manufacturer in Templand.

Defining Value

- **Stakeholder Collaboration:** Works closely with suppliers, sales personnel, and installers to ensure high-quality doors and windows.
 - *Our Analysis: Quality Assurance & Reliability:* Consistent product quality helps maintain customer satisfaction and brand trust.

Capturing Value

- **Custom Solutions & Pricing Strategy:** Offers tailored window and door packages at reasonable prices, with quantity discounts to encourage larger orders.
 - *Our Analysis: Profit Maximization & Customer Loyalty:* Customization adds perceived value; quantity discounts drive higher order volumes and profitability.
- **Commission-Based Payments:** Uses a commission model to incentivize sales personnel and installers, keeping fixed costs low.
 - *Our Analysis: Cost Control & Motivation:* Commission-only compensation aligns incentives and reduces overhead costs.

Creating Value

- **Partner Network:** Collaborates with suppliers of sealed units and independent installers to deliver quality products and services.
 - *Our Analysis: Value-Added Partnerships:* Supplier and contractor collaboration ensures efficient operations and quality installations, enhancing overall value for customers.

Delivering Value

- **Customer-Centric Sales Network:** Nationwide sales team focused on understanding customer needs and ensuring they choose the best window solutions.
 - *Our Analysis: Customer Confidence & Service Excellence:* A strong sales network fosters customer trust and personalized service, leading to higher conversions and customer satisfaction.

Summary of News and Blogs Related to Shinyglas

Templand Business Daily

- **Environmental Concerns:** Activists criticize window manufacturers for promoting double-glazing as environmentally friendly without considering the energy costs of production (e.g., glass-making and transportation).

- *Our Analysis: **Sustainability vs. Transparency:*** Shinyglas needs to balance marketing sustainable benefits with transparent communication about the environmental impact of production to maintain trust.

Templand Daily News – Real Estate Column

- **Condensation Realities:** Double-glazed windows may reduce, but not entirely eliminate, condensation due to temperature differences between indoor and outdoor environments.
 - *Our Analysis: **Customer Expectations:*** Shinyglas’s sales team should manage customer expectations regarding condensation and warranty conditions for seal failure.
- **New Home Construction:** Subcontractors, not the building company itself, handle most construction work, leading to variable quality based on subcontractor capabilities.
 - *Our Analysis: **Quality Control in Projects:*** Ensuring subcontractors deliver high-quality installations is crucial for Shinyglas to maintain its reputation.

Blog by a New Salesperson "Joe"

- **Sales Pressure:** Joe describes the challenges of selling double-glazing and how providing customers with transparent cost comparisons (e.g., vs. larger companies) is effective.
 - *Our Analysis: **Sales Strategies:*** Shinyglas’s sales force must understand how to leverage product quality and pricing strategies effectively against larger competitors.
- **Factory Insight:** Some sales staff haven't visited the factory and use generic descriptions like "state-of-the-art."
 - *Our Analysis: **Product Knowledge & Authenticity:*** Training for sales staff to accurately and confidently describe Shinyglas’s manufacturing quality is key for credibility.

Customer Issues and Recommendations

- **Potential Installation Issues:** Incidents such as window breakage due to external factors (e.g., lawnmowers) highlight potential misunderstandings about product durability.
 - *Our Analysis: **Customer Education & Support:*** Shinyglas should educate customers on proper window care and handling to reduce complaints and warranty claims.
- **Security Claims:** Double-glazing was once marketed as “burglar-proof” until it was discovered that panes can be broken with targeted force.
 - *Our Analysis: **Marketing Claims Accuracy:*** Shinyglas must be careful not to overpromise on security features, ensuring accurate and defensible marketing messages.

Challenges in Sales Appointments

- **Missed Opportunities:** Sales agents sometimes waste time on appointments that lead nowhere, especially in protected areas where installation is not permitted.
 - *Our Analysis: Lead Qualification:* Shinyglas's sales team needs better lead qualification processes to avoid unproductive visits and save time/resources.

Cooling-Off Period

- **Order Cancellations:** Customers can cancel sales contracts within a 14-day cooling-off period, causing sales agents to lose commissions.
 - *Our Analysis: Sales Efficiency & Risk Management:* Managing this legal requirement effectively is key; agents need to secure customer commitment quickly while balancing the risk of cancellations.

Financial Analysis:

Shinyglas:

	2024	2023
Sales growth	9.88%	
Gross margin	56%	53%
Operating margin	39%	34%
Interest cover	1.6	1.3
Net profit margin	13%	7%
Asset turnover	0.12	0.11
Current ratio	1.4	1.8
Quick ratio	1.3	1.7
Receivables days	9.1	9.6
Inventory days	5.8	5.7
Payables days	31.7	31.2
Cash cycle	-16.8	-15.9
Gearing	49%	50%

Competitor:

	2024	2023
Sales growth	8.69%	
Gross margin	58%	56%
Operating margin	43%	40%
Interest cover	1.37	1.18
Net profit margin	10%	5%
Asset turnover	0.10	0.09

Current ratio	2.3	4.1
Quick ratio	2.1	3.9
Receivables days	13.9	18.7
Inventory days	9.0	6.2
Payables days	34.0	33.2
Cash cycle	-11.1	-8.2
Gearing	49.9%	50.1%

Analysis:

Revised Financial Analysis with Potential Reasons – Shinyglas vs Competitor

1. Profitability & Efficiency

- **Sales Growth:**
 - **Shinyglas (9.88%) > Competitor (8.69%):** Shinyglas's growth may be driven by strong brand recognition, targeted marketing, and product innovation. Given the high competition in the double-glazing industry, Shinyglas's ability to introduce new features and push sales through its commission-based model likely contribute to higher growth.
- **Margins:**
 - **Gross Margin:**
 - **Shinyglas (56%) < Competitor (58%):** The slightly lower margin suggests Shinyglas may have higher production costs or more aggressive pricing strategies to drive sales volume. As Shinyglas uses third-party suppliers for sealed units, their costs could be higher, affecting margins.
 - **Operating Margin:**
 - **Shinyglas (39%) Improved Over Time, Competitor at 43%:** Shinyglas's significant improvement from 34% to 39% may be attributed to better cost controls, efficient production processes, or reduced operating expenses. However, the competitor's higher margin suggests they might have tighter control over overheads or a more efficient supply chain.
 - **Net Profit Margin:**
 - **Shinyglas (13%) > Competitor (10%):** Improved profitability indicates successful cost management and potentially better sales terms (e.g., efficient commission structure, bulk orders). In this industry, this could be a result of strong customer relationships and upselling through their sales team.

2. Liquidity & Working Capital

- **Current & Quick Ratios:**
 - **Shinyglas (1.4 Current, 1.3 Quick) vs. Competitor (2.3 Current, 2.1 Quick):** Shinyglas's declining ratios still suggest sound liquidity but more aggressive working capital usage, perhaps to fund growth and sales activities. The competitor's higher ratios could indicate over-conservatism, holding excess cash or inventory that isn't generating returns.
 - *Reason:* In this industry, effective inventory and cash management are critical, and Shinyglas's leaner ratios imply better alignment of cash flow and production schedules to sales demand.
- **Cash Cycle:**
 - **Shinyglas (-16.8 days) vs. Competitor (-11.1 days):** A more negative cash cycle for Shinyglas means they collect receivables quickly and delay payments to suppliers effectively, keeping cash flow strong. Efficient inventory management and short receivables cycles lead to quick cash turnover.
 - *Reason:* Given the standard practice of large upfront deposits from customers and efficient production to meet custom orders, Shinyglas capitalizes well on its sales model to maintain strong liquidity.

3. Asset Utilization & Solvency

- **Asset Turnover:**
 - **Shinyglas (0.12) > Competitor (0.10):** A slightly higher asset turnover indicates Shinyglas uses its assets more efficiently to generate revenue. This could be due to its focus on customized orders, which might lead to better capacity utilization.
 - *Reason:* In a capital-intensive industry like double-glazing, maximizing factory usage and minimizing idle time in production is crucial for financial health.
- **Interest Cover:**
 - **Shinyglas (1.6) > Competitor (1.37):** The improving interest coverage ratio for Shinyglas suggests a greater capacity to service debt, likely due to increased profitability and careful financial leverage management.
 - *Reason:* A stable operating model and efficient cash generation allow Shinyglas to handle its debt comfortably, which is crucial given the capital requirements in the window and door manufacturing industry.
- **Gearing Ratio:**
 - **Both at ~50%:** Similar gearing suggests both companies balance debt and equity similarly. For Shinyglas, this balanced approach indicates a controlled risk while leveraging debt for growth.

- *Reason:* The industry often requires significant capital for production facilities and inventory, making a moderate level of debt typical to fund operations without over-leveraging.

4. Working Capital Efficiency

- **Receivables Days:**

- **Shinyglas (9.1 days) < Competitor (13.9 days):** The quicker collection period implies Shinyglas has effective credit management, possibly due to strong sales practices (e.g., upfront deposits from customers) and good customer credit terms.
- *Reason:* Double-glazing products are high-value, so getting deposits upfront is standard; Shinyglas seems to handle this efficiently, reducing cash tied up in receivables.

- **Inventory Days:**

- **Shinyglas (5.8 days) vs. Competitor (9 days):** Shinyglas's inventory is quickly turned over, indicating efficient inventory management, likely due to a strong made-to-order model which avoids overstocking.
- *Reason:* As Shinyglas sources sealed units and other materials per order, they likely maintain minimal stock, reducing carrying costs and risks of obsolescence.

- **Payables Days:**

- **Shinyglas (31.7 days) vs. Competitor (34 days):** The competitor has slightly longer payables days, indicating potentially better terms with suppliers. Shinyglas may have shorter supplier credit terms, balancing quick payment with the need for reliable supplies.
- *Reason:* Managing payables effectively is crucial to maintain supplier relationships while ensuring liquidity; Shinyglas's terms reflect this careful balance.

Reference - Real life companies in this industry:

1. Saint-Gobain (France)

- **Business Model:** A diversified building materials company producing glass, construction products, and high-performance materials.
- **Global Reach:** Operates in over 70 countries with significant market share in glass for construction, automotive, and other industries.
- **Financials:** Consistent revenue growth with a strong focus on innovation and sustainable products, solidifying its position as a market leader.



2. Asahi Glass Co. Ltd. (AGC) (Japan)

- **Business Model:** A leader in glass production for construction, automotive, and electronic displays, with diversified offerings in chemicals and ceramics.
- **Innovation-Focused:** Heavy investment in R&D to develop advanced glass technologies and solutions, including energy-efficient and specialty glass.
- **Financials:** Steady revenue streams across diversified segments, focusing on sustainability and expanding presence in new markets.



3. Pilkington (part of NSG Group) (Japan)

- **Business Model:** Specializes in architectural and automotive glass, providing solutions for energy-efficient and high-performance glass in buildings and vehicles.
- **Sustainable Product Lines:** Emphasizes green building solutions, including energy-saving glass and solar control products.
- **Financials:** Stable cash flows driven by strong demand in both construction and automotive sectors, leveraging global footprint and sustainable innovations.



Chapter 2 Introduction to the CIMA MCS Exam

Introduction to Case Study Exams:

- Simulates workplace problem-solving.
- 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.
- Three-hour computer-based exam, 150 marks in total, 80 or more would be a passing mark.
- Requires successful completion of Objective Test Examinations.
- Integrates and applies technical knowledge.
- Based on pre-seen and additional unseen material.
- Comprises triggers and tasks.

Core Activities:

- Five core activities in CIMA Management case study.
- Assessment outcomes expressed as 'I Can' statements.
- Focus on task relevance to the company.
- Common failure due to generic answers.
- Emphasis on pre-seen material preparation.
- Adaptation to unseen information is crucial.

Exam strategies:

Before the exam:

1. **Mastery of Study Materials (Revise and Understand):**
 - Ensure you thoroughly understand the key concepts and technical terms from your study materials.
 - Be able to explain these concepts in a way that someone without an accounting background can understand.
2. **Review the Pre-seen Material:**
 - Carefully review the pre-seen material, which provides insights into the industry and the company.
 - While you don't need to memorize it, use the information to inform your answers in the case study.

3. **Utilize CGMA Study Hub Resources:**

- Explore the CGMA Study Hub for free resources, including a re-sitters guide, performance descriptors, and support articles.
- These resources can help you prepare effectively and understand what's expected in the exam.

4. **Practice with Past Cases:**

- Practice answering past case study questions. Even if they are from different industries, the skills you develop in interpreting and responding to practical situations are transferable.

During the exam:

1. **Analyze Task Requirements:**

- At the beginning of each task, take a few minutes to carefully read and digest the information provided in the task requirements.
- Think critically about the specific issue raised in the task and how it should be addressed within the context of preseen material.

2. **Time Management:**

- Efficiently manage your time for each task by considering the weighting of each element.
- For example, if you have 45 minutes for a task, and sub-task (a) is worth 60%, allocate 27 minutes to that element.

3. **Avoid Time-wasting Activities:**

- Focus your writing on relevant content that directly addresses the task requirements.
- Avoid writing out formal definitions or summarizing unrelated real-world cases unless they significantly enhance your response.

4. **Structured Paragraphs:**

- Organize your responses into well-structured paragraphs for clarity.
- Present your ideas logically within these paragraphs.

5. **Minimal Formatting Emphasis:**

- While using formatting (e.g., bold or underlined text) for emphasis can be helpful, don't overdo it.
- Excessive formatting can make your answer harder to read and may not add much value.

Level 1, 2, and 3 answers:

Level 1 Answers:

- Typically provide summaries of study materials.
- May describe models and concepts but often lack practical application.
- Rarely make specific recommendations.
- Focus on explaining advantages and disadvantages of different courses of action.
- May not address task requirements adequately.
- Tend to be less relevant and detailed in applying concepts to the scenario.
- Lack clear justifications for proposed actions.

Level 2 Answers:

- Show a better understanding of relevant models and concepts.
- Begin to apply these models to the scenario but with some gaps.
- Provide moderate explanations and reasoning for proposed actions.
- May include a mix of relevant and irrelevant information.
- Still, require improvement in addressing task requirements precisely.
- Demonstrate progress but fall short of comprehensive and well-structured responses.

Level 3 Answers:

- Reflect a strong grasp of key models and concepts.
- Apply these models effectively to the scenario, addressing task requirements with depth.
- Provide clear and logical justifications for proposed actions.
- Prioritize relevant information and avoid unnecessary details.
- Demonstrate an ability to make specific recommendations supported by sound reasoning.
- Exhibit a high level of relevance, structure, and clarity in responses.
- Reflect an advanced understanding of the case study context and the travel industry.

Example:

Question: Discuss the potential challenges and opportunities Shinyglas might face when considering expansion into a new geographical market.

Level 1 Answer:

Shinyglas, a leading double-glazed window manufacturer, faces a complex landscape when contemplating expansion into new geographical areas. Various analytical frameworks, such as PESTLE and SWOT analyses, are instrumental in evaluating the potential for entering new markets. Opportunities might include tapping into underserved regions or countries with growing construction sectors, while challenges could range from navigating unfamiliar regulatory frameworks to adapting to local building codes and consumer preferences.

Level 2 Answer:

Shinyglas's strategic considerations for geographical expansion encompass a spectrum of challenges and opportunities, effectively examined through a PESTLE analysis:

- **Political:** Stability and government support for construction and energy efficiency initiatives in the target market are critical. Political volatility can impact investment security and operational planning.
- **Economic:** The economic context, including the affordability of housing and the level of construction activity, will influence demand for Shinyglas's products.
- **Sociocultural:** Grasping the local culture, building preferences, and energy efficiency awareness is essential for Shinyglas. The company must align its offerings with the preferences and needs of the local market.
- **Technological:** The technology adoption rate among the target market's population and the infrastructure available for efficient window installation will dictate the feasibility of Shinyglas's standard service model.
- **Legal:** Varied regulations concerning window manufacturing, installation, and energy efficiency standards present a legal maze that Shinyglas must navigate carefully.
- **Environmental:** Environmental sustainability concerns and regulations could offer Shinyglas opportunities to innovate in energy-efficient window designs and manufacturing processes.

Conducting a SWOT analysis will further illuminate Shinyglas's internal strengths and weaknesses against the backdrop of external opportunities and threats within a new market.

Level 3 Answer:

When Shinyglas, a leader in the double-glazed window industry, eyes expansion into new geographical territories, an in-depth examination of the market's complexities is paramount for strategic decision-making:

- **Political:** Navigating the political landscape, especially regarding building codes, energy efficiency regulations, and local content requirements, requires astute awareness and adaptability. Engaging with local authorities and industry associations early can mitigate risks.
- **Economic:** Beyond macroeconomic indicators, understanding local housing market dynamics, including construction trends and pricing pressures, will guide pricing and sales strategies. Comparing these factors with existing markets where Shinyglas operates can provide insights into potential competitive advantages.

- **Sociocultural:** Aligning window designs and features with local architectural styles, climate conditions, and consumer preferences, such as energy efficiency concerns or noise reduction requirements, reflects cultural attunement. For instance, in markets with high levels of air pollution, Shinyglas might emphasize the air quality benefits of its products.
- **Technological:** Leveraging technology for efficient manufacturing processes, inventory management, and customer service must align with the technological infrastructure and digital habits of the target market's population.
- **Legal:** Local regulations impacting the manufacturing, installation, and marketing of double-glazed windows will vary significantly. Shinyglas's experience in navigating these regulations in existing markets provides a foundational understanding that needs localization.
- **Environmental:** Implementing sustainable practices and green manufacturing technologies not only aligns with global environmental trends but also meets the growing demand from consumers and governments for energy-efficient and eco-friendly products. This approach can distinguish Shinyglas in new markets, reinforcing its commitment to sustainability.

Professional skills:

- **Assurance, Risk, and Control:**
 - Assess risks and risk management approaches in the case study.
 - Exercise professional judgment when discussing information.
 - Provide assurance on the trustworthiness of information.
- **Business Acumen:**
 - Showcase knowledge of key business objectives in your responses.
 - Relate decisions and recommendations to business success measures.
- **Financial Information:**
 - Prepare, analyze, and interpret financial information in your solutions.
 - Highlight your ability to use financial data for decision-making.
- **Legislation:**
 - Demonstrate understanding and application of relevant legislation.
 - Incorporate standards and principles into your case study analysis.
- **Strategic Business Management and Governance:**
 - Make sustainable business decisions in line with the case's context.
 - Support decisions with financial analysis and project appraisal.

- Consider both internal and external factors in your conclusions.
- **Building Relationships:**
 - Collaborate effectively within your team in the exam scenario.
 - Show how you establish and maintain trusted relationships.
- **Business Insight:**
 - Influence decisions in the case by considering broader impacts.
 - Connect business choices to various organizational contexts.
- **Communication:**
 - Clearly articulate your responses in a structured manner.
 - Adapt your communication style as needed in different contexts.
- **Ethics and Integrity:**
 - Identify ethical dilemmas within the case and discuss implications.
 - Showcase an ethical approach to decision-making and problem-solving.
 - Be aware of legal responsibilities and procedures for reporting unethical activities.
- **Leadership:**
 - Take ownership of tasks and manage your time effectively.
 - Demonstrate project management skills in delivering quality work.
 - Motivate and lead others to achieve results within the exam's context.
- **Problem Solving and Decision Making:**
 - Quickly evaluate information and draw well-founded conclusions.
 - Address problems comprehensively, considering all relevant aspects.
 - Emphasize fact-based decision-making in your responses.

Demonstrating Behaviors:

- **Adds Value:**
 - Anticipate future needs and opportunities in the case study.
 - Identify and present value-adding suggestions for the organization.
- **Continuous Improvement:**
 - Showcase a commitment to ongoing professional development.
 - Mention any learning opportunities or improvements in your approach.

- **Flexibility:**
 - Adapt your approach and recommendations to changing circumstances.
 - Highlight how you manage conflicting priorities within the case context.
- **Professional Scepticism:**
 - Apply critical thinking to financial information presented.
 - Mention any skepticism regarding potential misstatements or fraud indications.

Chapter 3 Core activity area A - Evaluate opportunities to add value

Contents:

- Session 1: Selecting Capital Investment Appraisal Techniques: (A holistic approach)
- Session 2: Using Digital Data Sources for Capital Investment Decisions:
- Session 3: Pricing Strategies
- Session 4: Business Models
- Session 5: WACC

The following 'I CAN' questions are set by CIMA:

- I can 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
- I can identify and use relevant digital data sources to assist in capital investment decisions
- I can explain which pricing strategies are appropriate
- I can select and implement suitable business models that will create value for stakeholders, including business models in the context of digital ecosystems
- I can analyse the impact of disruptive and digital operating business models in the context of digital ecosystems
- I can explain the relevance of weighted average cost of capital

Session 1: Selecting Capital Investment Appraisal Techniques (A holistic approach)

Syllabus – CIMA P2

1.1 Framework for capital investment appraisal:

1. Understand the Objective

- Define the purpose of the investment (e.g., product development, digital transformation, acquisition).
- Ensure alignment with company's strategic goals.

2. Review Decision-making Process

- Identify the steps involved in making the investment decision.
- Recognize pertinent issues affecting the decision (e.g., risk factors, stakeholder interests).

3. Choose Appropriate Appraisal Techniques

- Based on the nature and size of the project:
 - **NPV (Net Present Value)**: Discount future cash flows to determine present value.
 - **IRR (Internal Rate of Return)**: Identify the discount rate that gives an NPV of zero.
 - **Payback Period**: Calculate the time taken for the investment to be repaid by its cash inflows.
 - **MIRR (Modified Internal Rate of Return)**: Adjust IRR for project-specific factors.
 - **ROCE (Return on Capital Employed) or ARR (Accounting Rate of Return)**: Evaluate profitability in relation to the capital used.

4. Evaluate Cash Flows

- Identify relevant cash flows.
- Exclude sunk costs, non-cash, and notional items.
- Consider incremental cash flows and opportunity costs.

5. Handle Capital Rationing Scenarios

- If limited funds are available, prioritize projects based on their return on investment.
- Ensure selected projects align with strategic objectives.

6. Consider Real Options in Appraisal

- Account for flexibility options, like delaying, expanding, or abandoning a project.

7. Asset Replacement

- When considering the replacement of an asset:
 - Evaluate the costs and benefits of the existing versus the new asset.
 - Apply the Equivalent Annual Cost (EAC) method to compare the two assets on an annualized basis.

8. Post completion audit

- A systematic review of a project after its completion to determine if it met its initial objectives and to gather insights for future projects.
- **How to Do It:**
 - Review the project's initial objectives and outcomes: Compare the project's actual outcomes with the initial expectations to identify any variances.
 - Analyze the processes and methodologies used: Examine the project's procedures, techniques, and decision-making methods to determine their effectiveness.
 - Gather feedback from stakeholders: Engage with team members, clients, and other relevant stakeholders to gain insights into the project's successes and areas for improvement.
- **Pros:**
 - Continuous Improvement: Helps in refining the organization's project management practices, leading to better outcomes in future projects.
- **Cons:**
 - Time-Consuming: Requires additional time and resources, which can be seen as a burden, especially for smaller projects or organizations with tight schedules.

1.2 Digital Transformation Projects

- Digital transformation involves integrating digital technologies into all areas of a business, resulting in fundamental changes to how businesses operate and deliver value to their customers.
- Consider the speed of technological change and the risk of obsolescence.

1.3 Acquisitions

- Assess the strategic fit of the acquisition target.
- Consider synergies, cultural fit, and integration challenges.

1.4 Exam Rehearsal Questions – with bullet points areas to be answered in the exam

Q1: Explain the challenges in determining NPV for a new project, particularly in quantifying future cash flows (May/Aug 2021 Trayner variant 2 task 4)

1. **Estimation Uncertainty:** Forecasting future cash flows accurately is challenging due to unpredictable market conditions, technological changes, and external factors like economic downturns.
2. **Discount Rate Determination:** Selecting an appropriate discount rate can be subjective. A wrong choice can significantly alter the NPV.
3. **Project Life:** Determining the exact duration of a project's cash inflows can be challenging. A longer or shorter project life affects the NPV.
4. **Capital Expenditure and Working Capital Needs:** Estimating the initial outlay and additional working capital requirements can be uncertain, particularly for new ventures.
5. **Sunk Costs:** Ensuring that only relevant future costs are included and not the costs already incurred.

Q2: Prepare briefing notes for investment appraisals under a capital rationing scenario (May/Aug 2020 Alpaca variant 1 task 1)

1. **Definition of Capital Rationing:** Start by explaining that capital rationing involves selecting the best combination of projects when there's a limited budget.
2. **Use of Profitability Index (PI):** Under capital rationing, PI (which is the ratio of the present value of cash inflows to initial investment) is more useful than NPV as it provides a measure of the "bang for the buck".
3. **Project Interdependencies:** Some projects may be mutually exclusive, meaning if one is undertaken, another can't be. This adds complexity to decision-making.

4. **Multiple Periods Rationing:** If rationing is expected over multiple periods, this requires a multi-period model which adds complexity.
5. **Non-Financial Factors:** Emphasize that while financial metrics are crucial, non-financial factors such as strategic alignment, risk, and corporate social responsibility also play a role.

Q3: Discuss whether Frinta should have planned for the introduction of additional capacity as a real option in the capital investment appraisal for the acquisition and preparation of Dubblfile to provide this service (Nov 2020/Feb 2021 Frinta variant 6 task 4)

1. **Concept of Real Options:** Begin by explaining that real options provide flexibility in decision-making by allowing for future decisions based on unfolding events.
2. **Value of Flexibility:** The added capacity can act as a hedge against unexpected demand surges, ensuring Frinta capitalizes on all potential revenue streams.
3. **Cost Implication:** While introducing additional capacity may increase initial investment, it could be more cost-effective than retrofitting or expanding capacity later.
4. **Market Volatility:** If the market for Dubblfile's service is volatile, having the option to scale quickly can be a strategic advantage.
5. **Risk Management:** Real options can be viewed as a risk management tool, allowing Frinta to adapt to changing circumstances without committing fully upfront.

Potential Investment Projects for Shinyglas

1. Product Development

- **Objective:** Develop innovative and energy-efficient window products to maintain market leadership and cater to evolving customer preferences.
- **Appraisal Techniques:** NPV to evaluate long-term profitability; IRR to determine the project's rate of return; and Payback Period to understand how quickly the investment will pay back.
- **Considerations:** Evaluate cash flows from increased sales revenue, reduced operating costs, and potential cost savings for customers. Consider the potential for premium pricing for innovative products.

2. Geographical Expansion

- **Objective:** Expand Shinyglas's market reach by entering new geographical regions with growing construction sectors and demand for energy-efficient windows.
- **Appraisal Techniques:** NPV to assess the long-term profitability of expansion; IRR to determine the rate of return on investment; and Payback Period to understand the time required for payback.

- **Considerations:** Evaluate the market potential, competitive landscape, regulatory environment, and potential for cost savings or premium pricing in the target regions.

3. Manufacturing Efficiency Improvements

- **Objective:** Enhance manufacturing efficiency and reduce costs through technological upgrades, process optimization, or supply chain improvements.
- **Appraisal Techniques:** ROCE to assess profitability improvements; MIRR to adjust for the reinvestment of cash flows; and EAC for comparing the costs of old vs. new technology implementations.
- **Considerations:** Evaluate the potential for increased production capacity, reduced waste, and improved product quality. Consider the impact on operating costs, employee productivity, and customer satisfaction.

4. Digital Transformation

- **Objective:** Implement digital technologies to improve operational efficiency, enhance customer experience, and drive growth.
- **Appraisal Techniques:** NPV to evaluate the long-term benefits of digital transformation; IRR to determine the rate of return on investment; and Payback Period to understand the time required for payback.
- **Considerations:** Evaluate the potential for increased sales, improved customer satisfaction, and cost savings through digital initiatives such as e-commerce, CRM systems, and data analytics.

5. Sustainability Initiatives

- **Objective:** Enhance Shinyglas's sustainability profile by investing in energy-efficient manufacturing processes, sustainable materials, and waste reduction initiatives.
- **Appraisal Techniques:** NPV to assess the long-term benefits of sustainability initiatives; IRR to determine the rate of return on investment; and Payback Period to understand the time required for payback.
- **Considerations:** Evaluate the potential for increased brand value, improved customer perception, and cost savings through reduced energy consumption and waste.

Session 2: Using Digital Data Sources for Capital Investment Decisions

Syllabus – CIMA P2

2.1 Sources

1. Relevant Cash Flows and Opportunity Costs:

- **Digital Accounting Systems:** These are software platforms like QuickBooks or Xero that automate financial tasks such as invoicing, tracking expenses, and generating financial reports.
- **Example:** Using Xero to automatically categorize and forecast cash inflows and outflows, providing a clear picture of potential opportunity costs.

2. Sources of Management Information – Internal and External:

- **Internal Example:** Accessing the company's ERP system to gather production data, aiding decisions about machinery investments.
- **External Example:** Consulting industry-specific online databases to understand competitors' capital investments.

3. Collecting, Analysing, and Presenting High-Quality Data:

- **Example:** Leveraging Microsoft Excel's advanced functions to consolidate, analyze, and visually present data to guide capital expenditure decisions.

4. Business Intelligence Systems:

- **Definition:** These systems, like Microsoft Power BI or Tableau, help in visualizing, sharing, and analyzing data from various sources to make informed business decisions.
- **Example:** Using Tableau to integrate sales and inventory data, aiding in decisions about warehouse capital expansions.

5. Data Analytics and Data Mining:

- **Definition:** Data analytics involves examining datasets to draw conclusions, while data mining seeks to uncover hidden patterns or relationships within large datasets.
- **Example:** Applying machine learning algorithms on past sales data to predict future trends, guiding capital allocation towards products expected to see growth.

2.2 Exam Rehearsal Questions – with bullet points areas to be answered in the exam

Q1: Identify and evaluate the potential advantages that a business intelligence system would bring to managing performance across the group (May/Aug 2021 Trayyner variant 6 task 1)

- 1. Data Integration and Consolidation:**
 - Discuss how BI systems allow for the integration of data from different departments or subsidiaries, providing a holistic view of the group's performance.
- 2. Real-time Performance Monitoring:**
 - Highlight the capability of BI systems to provide real-time dashboards and metrics, enabling timely decision-making.
- 3. Predictive Analytics:**
 - Describe how BI tools utilize historical data to forecast future performance trends, assisting in proactive management.
- 4. Enhanced Reporting Capabilities:**
 - Explain the flexibility and customization BI systems offer in report generation, allowing tailored insights for different stakeholders.
- 5. Data-driven Decision Making:**
 - Stress the importance of making decisions based on data rather than intuition, and how BI systems facilitate this shift towards a data-centric approach.

Q2: Recommend three sources of data to forecast demand (May/Aug 2020 Alpaca variant 3 task 2)

- 1. Historical Sales Data:**
 - Emphasize the importance of analyzing past sales trends and patterns as a primary indicator of future demand.
- 2. Market Research and Surveys:**
 - Discuss how targeted surveys and research can provide insights into customer preferences and potential shifts in demand.
- 3. External Economic Indicators:**
 - Highlight the correlation between broader economic trends (e.g., GDP growth, unemployment rates) and product/service demand in certain industries.