

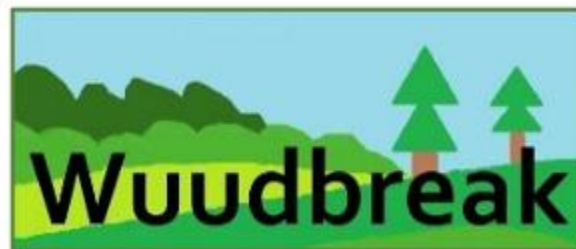


CIMA/CGMA Management Case Study (MCS)

Speedy Pass Note (SPN)

Part 2

November 2026 – Febuauary 2027



Core Activity C Manage Performance and Costs to Create sustainable value

Accounting
Practise
Center



CONTENTS:

- Session 1: Measurement, Analysis and Reporting on the performance of responsibility centres
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CIMA/CGMA BLUEPRINT 'I CAN...' QUESTIONS:

- I can advise on the measurement, analysis and reporting on the performance of responsibility centres
- I can recommend the processes needed to ensure employee engagement, empowerment and alignment to enhance individual and team performance
- I can compare leadership styles and recommend the most appropriate style to use
- I can recommend appropriate cost management and cost transformation techniques to manage costs and improve profitability
- I can identify and apply appropriate quality and value management techniques to enhance value
- I can apply the techniques that quantify and present risk to stakeholders

Weightings: 15%-25%

Session 1: Measurement, Analysis and Reporting on the performance of responsibility centres

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CIMA Blueprint Knowledge

- Performance under different growth methods
- Customer service KPIs
- Responsibility center/accounting
- Balanced scorecard

1.1 Performance under different growth methods

Step 1: Identify growth method, solve the following paragraphs (one of them matching with the requirement)

Franchising

Franchising can increase motivation because franchisees invest their own money and directly benefit from higher profits.

However, the franchisor has less direct control over (service quality), (brand standards), and (local decisions). It should use training, operating standards, support, and monitoring while allowing sensible local flexibility.

Organic growth

Organic growth means expanding through (new branches), (new products), (new capacity), or (more customers).

It gives Wuudbreak strong control over its brand, culture, and operating methods. However, growth may be slower and require significant investment in (premises), (staff), (marketing), and (equipment).

Performance should be assessed against whether new investment generates sufficient (sales), (profit), and (cash flow).

Acquisition or merger

An acquisition gives rapid access to (customers), (locations), (skills), (technology), or (market share).

However, performance may be reduced by (integration costs), (culture clashes), (duplicate roles), (systems problems), or (loss of key employees/customers).

Management should compare actual results with expected (synergies), (cost savings), and (revenue growth).

Licensing

Licensing allows another party to use (a brand), (technology), (patent), or (business process) in return for (royalty income) or licence fees.

It can provide growth with limited capital investment. However, Wuudbreak has less control over quality and may suffer reputational damage if the licensee provides poor service or misuses the brand.

The licence agreement should include quality standards, reporting requirements, intellectual-property protection, and termination rights.

Step 2: Explain the following areas

Incentives

Performance may improve if the new owner or manager has a stronger incentive to succeed.

For example, (franchisees/owner-managers) may be more motivated than salaried managers because their personal income or investment depends on performance. Salaried managers may need (bonuses), (profit-related pay), or (performance targets) to create similar motivation.

However, strong incentives may also encourage (short-term cost cutting), (lower service quality), or (excessive risk-taking).

Cause of performance change

Wuudbreak should identify why performance has changed. Higher profit may result from (better management), (local market conditions), (lower central costs), (changed prices), or (reduced investment), rather than the growth method itself.

It should compare performance with (similar locations/businesses), (previous conversions), (budgets), and (market conditions) before drawing conclusions.

Testing and innovation

Some lower-performing units may be used to test (new products), (new services), (new technology), or (new ways of working).

This may reduce short-term profit, but may provide valuable information for the wider organisation. Management should decide whether the cost of the trial is justified by the expected long-term benefit.

It should also review (customer feedback), (social-media comments), and (repeat business) to check whether experimentation is harming reputation.

Local knowledge

Local managers, franchisees, or licensees may understand (local customers), (competition), (pricing), and (staffing conditions) better than head office.

Central advice should therefore be a dialogue, not simply an instruction. Wuudbreak should listen to local feedback and adapt its approach where appropriate.

If central advice repeatedly reduces local performance, it may lose credibility.

KPIs

Performance should be measured using financial and non-financial KPIs. These may include (profit), (sales growth), (customer retention), (staff turnover), (customer satisfaction), (quality), and (complaints).

KPIs must be interpreted carefully. For example, high staff turnover may be harmful if popular employees leave, but beneficial if poor-performing employees are replaced.

Wuudbreak Q: Adapted from May August 2025 V2 Q1b

Wuudbreak's Board is considering acquiring Vannpark, which operates 11 coastal caravan parks in Norrland.

The Chief Executive has noted that Vannpark's 2026 operating profit was N\$501.4 million on revenue of N\$776.2 million. This is an operating profit margin of approximately 64.6%.

Wuudbreak's operating profit was N\$367.9 million on revenue of N\$843.7 million, giving an operating profit margin of approximately 43.6%.

The Chief Executive believes that acquiring Vannpark could improve Wuudbreak's overall financial performance because Vannpark appears to be more profitable.

Required:

Discuss the implications of Vannpark's higher operating-profit margin when considering whether Wuudbreak should grow through acquiring Vannpark.

Answer:

Acquisition growth

Acquiring Vannpark would give Wuudbreak rapid access to 11 additional holiday parks, a coastal location market and customers who take mainly week-long, self-catering breaks.

This would be faster than building new Wuudbreak parks organically. Wuudbreak could gain Vannpark's existing accommodation, customers, employees and operating knowledge immediately.

However, a higher profit margin does not guarantee that the acquisition will improve Wuudbreak's performance. Acquisitions can create integration costs, systems problems, duplicate roles, management conflict and the loss of important employees or customers.

Incentives

Vannpark's managers may be strongly motivated because they understand their established caravan-park business and have experience of managing week-long coastal holidays.

After acquisition, Wuudbreak should ensure that Vannpark managers remain motivated. If they fear job losses, reduced authority or replacement by Wuudbreak managers, they may leave the business. Losing experienced managers could damage Vannpark's current profitability.

Wuudbreak should use suitable performance targets and rewards to encourage managers to protect guest satisfaction, occupancy, cost control and staff retention. However, targets based only on profit could encourage short-term cost cutting that reduces service quality or damages the customer experience.

Cause of the performance difference

Wuudbreak should not assume that Vannpark's higher operating-profit margin is caused simply by better management.

The two companies have different business models. Vannpark offers coastal caravan holidays, mainly for week-long stays, while Wuudbreak offers shorter upmarket activity holidays in forests and by lakes. Vannpark may have lower operating costs because its guests prepare more meals in their caravans and it may require fewer activity staff, wildlife specialists, guides and indoor facilities.

Vannpark's administrative expenses are also much lower than Wuudbreak's. Wuudbreak should investigate why this is the case before assuming that similar cost savings can be achieved after acquisition.

The higher margin may also result from differences in customer profile, prices, asset age, maintenance needs, accounting policies or the timing of investment. Wuudbreak should carry out detailed due diligence before using Vannpark's reported margin as evidence that the acquisition will create value.

Testing and innovation

Wuudbreak may use Vannpark parks to test selected ideas, such as new activities, booking methods or sustainability initiatives. This could provide useful information for the enlarged Group.

However, trialling new ideas may reduce Vannpark's short-term profit. Wuudbreak should decide whether the expected long-term learning benefit justifies the short-term cost.

It should also monitor guest feedback, repeat bookings and complaints. A trial may be unacceptable if it damages Vannpark's established reputation or causes existing customers to leave.

Local knowledge

Vannpark managers may understand their local coastal markets, customers, staffing conditions and competitors better than Wuudbreak's Head Office.

Wuudbreak should not automatically impose its forest-and-lake operating model on Vannpark. For example, Vannpark customers may value self-catering, week-long stays and coastal locations, while Wuudbreak guests value guided activities, wildlife and short breaks.

Central management should use dialogue with Vannpark managers. It should retain useful local knowledge while identifying areas where Group support could improve performance, such as financial controls, booking systems or purchasing.

KPIs

Wuudbreak should assess Vannpark's performance using more than operating profit margin.

Financial measures should include revenue growth, operating profit, cash generation, occupancy, revenue per stay and cost per occupied unit.

Non-financial measures should include guest satisfaction, repeat bookings, complaints, staff turnover, health and safety, quality of accommodation and environmental performance.

These measures should be compared with Vannpark's results before acquisition, the acquisition business plan and comparable caravan-park operators. Wuudbreak should interpret them carefully. For example, reducing staff turnover may be positive if it retains experienced employees, but it may be negative if poor performance is tolerated.

Conclusion

Vannpark's higher operating-profit margin may indicate an attractive acquisition opportunity, but it does not prove that Wuudbreak can achieve the same performance after takeover. The difference may arise from Vannpark's different business model and lower cost structure rather than superior management. Wuudbreak should carry out due diligence, retain local expertise and monitor a balanced range of financial and non-financial measures after acquisition.