



Free Mini Mock – Suggested Answers

CIMA Operational Case Study – May & August 2026

Activity Based Costing

Activity based costing (ABC) could be adopted by SoPa to improve the accuracy of its costing system by allocating indirect restaurant running costs based on the activities that drive those costs. Currently, SoPa broadly classifies costs as direct costs and restaurant running costs, which may not fully reflect the resources consumed by different menu items and customer services.

Since restaurant operations involve several distinct activities such as food preparation, cooking and customer service, ABC would allocate these costs more accurately by identifying activity cost pools and assigning them using appropriate cost drivers.

The first activity cost pool is food preparation. This includes tasks such as washing vegetables, chopping ingredients and preparing portions before cooking begins. Costs in this pool would include preparation labour, preparation equipment and utilities. A suitable cost driver could be the number of meals prepared, or the preparation time required for each dish, as more complex dishes require greater preparation effort.

A second activity cost pool is cooking and kitchen operations. This involves cooking meals using equipment such as ovens, grills and fryers, along with chef labour and energy usage. Cooking time per dish or the number of meals cooked would be appropriate cost drivers because dishes that require longer cooking times consume more kitchen resources.

A third activity cost pool is order processing. This activity includes taking customer orders, entering them into the point-of-sale (POS) system and communicating them to the kitchen. Costs may include front-of-house labour and POS system costs. The number of customer orders or transactions would be an appropriate cost driver since administrative effort increases as order volumes rise.

A fourth activity cost pool is table service. This involves front-of-house staff delivering meals, responding to requests and supporting the dining experience. Costs include service staff wages and related service resources. The number of covers served, or time spent serving tables could be used as cost drivers because service effort increases with customer volumes.

Finally, a fifth activity cost pool is cleaning and table turnover. This includes clearing tables, cleaning dining areas and resetting tables for new customers. Costs include cleaning labour and materials. Suitable cost drivers could be the number of covers served or tables used, as higher customer traffic increases cleaning activity.

Benefits of adopting ABC

Adopting ABC would help SoPa allocate its indirect restaurant running costs more accurately by linking them to the activities that consume resources. At present, these costs are treated as a single pool deducted after profit after direct costs. ABC would provide a more realistic view of the full cost of preparing and serving menu items.

ABC would also highlight menu items that consume significant preparation, cooking or service resources. These items may appear profitable when only direct costs are considered but could be less profitable once indirect restaurant running costs are allocated more accurately. This insight would support better pricing and menu design decisions.

In addition, ABC would improve operational decision-making by identifying activities that drive the majority of indirect restaurant running costs. For example, if preparation or cooking costs are high, SoPa could simplify processes, improve staffing deployment, enhance training or address capacity constraints during peak periods.

Overall, ABC would increase transparency over indirect restaurant running costs and support more accurate profitability analysis, improved resource allocation and stronger financial performance across SoPa's restaurants.

Training and development program

The following steps can be carried out when conducting training sessions for our employees.

Identifying training & development needs

Under this stage, we need to identify the training and development needs of the employees. Since we are focusing on front-of-house employees, we need to identify the issues with their performance and design training programs to bridge areas of underperformance.

Setting training & development objectives

We should set the objectives for our training and development program, and these objectives should be in line with the achievement of efficiency and enhancing the quality of serving operations. Thus, the objectives should be clear, specific and measurable.

Planning the training & development sessions

After setting the objective, we could plan the training and development process. This will include plans pertaining to training methods, sources, budgets, the location and providers of training and the division of responsibilities.

Delivering & implementing training & development initiatives

The execution or delivery process will include the combinations of formal, informal, internal, and or external training methods which are going to be used as planned. During the whole process, we need to examine training sessions to make sure that we are achieving our training objectives.

Evaluating training & development sessions

After the delivery of the training, the whole process needs to be evaluated to track the effectiveness. If there are any errors, we need to rectify them by listening to feedback from trainers and front-of-house employees.

KPIs: Restaurant Operations

Food wastage percentage

This KPI measures the value of food wasted as a percentage of total ingredient costs. Since ingredients represent a significant portion of direct costs for each menu item, excessive wastage may indicate poor inventory management, inaccurate portion control, or inefficient food preparation processes.

Monitoring food wastage enables management to identify whether kitchen staff are handling ingredients efficiently and adhering to standard recipes. Reducing wastage will help control direct costs and protect the contribution earned from each menu item.

Average preparation time per order

This KPI measures the time taken by kitchen staff to prepare and deliver meals once an order is received. Long preparation times may indicate inefficiencies in kitchen workflow, inadequate staff coordination, or poor planning during peak service hours.

Monitoring this KPI allows management to identify bottlenecks in the kitchen and implement improvements such as better task allocation or improved kitchen layout. Faster preparation times can improve customer satisfaction and enable the restaurant to serve more covers during busy periods.

Occupancy rate (actual covers compared with capacity)

Restaurant profitability depends heavily on the number of covers served. A low occupancy rate may indicate inefficiencies in marketing, reservation management, or customer service.

Tracking occupancy helps management assess whether restaurants are utilising their seating capacity effectively. Improving occupancy allows fixed costs such as rent, managers' salaries, and depreciation to be spread across a larger number of covers (customers), thereby improving overall profitability.

I hope that this information would satisfy your need. Please contact me if you need any further explanations.

Finance Officer

Capitalization of expenditure: New combi ovens

IAS 16 Property Plant and Equipment states that to capitalize the expenditure incurred as part of property, plant, and equipment (PPE), an asset must have been created. There are two criteria that must be met to recognize an asset.

Firstly, it is probable that the expenditure will generate future economic benefits for the business. Secondly, the expenditure can be measured reliably. Both conditions are met here, as the new equipment is expected to improve efficiency and contain costs, thereby supporting higher future profits. In addition, because the expenditure is cash-based, its amount can be measured reliably.

IAS 16 further states that the asset must be held for the supply of goods and services and will be held for more than one accounting period. Clearly, the new equipment is to be used for cooking operations by our company, and we intend to keep them for more than a year.

Treatment of items in the schedule

IAS 16 also states that expenditure associated with an item of property, plant and equipment can be capitalized if it is either part of the purchase price (including import duties) or directly attributable to getting the asset ready for its intended use.

From the schedule, the purchase price of equipment clearly falls into this first category. As SoPa is not VAT registered, the purchase price of the equipment that can be capitalized should be inclusive of VAT.

The directly attributable costs include building costs required to modify the cooking stations to accommodate new equipment, and their essential modification costs. The building costs are necessary since it is essential to upgrade the cooking stations to start using this new equipment. Similarly, the equipment needs to be modified before it can be brought into use. Therefore, this cost will be capitalized.

The training costs are unlikely to be incurred to get the asset ready for its intended use. The equipment is likely to be ready for its intended use, even if staff need to be trained to operate them. These costs will therefore be treated as revenue expenditure and charged to the statement of profit or loss.

Ongoing costs of maintenance and servicing of equipment cannot be capitalized as they are not directly attributable to getting the asset ready for its intended use. These costs will be treated as revenue expenditure and charged to the statement of profit or loss.

Similarly, the interest costs will not be capitalized as it is merely a cost of financing the asset and therefore, should also be charged to the statement of profit or loss.

Useful life of the new equipment

IAS 16: Property, plant and equipment is also relevant here and states that the useful life of an asset is either the period over which the business expects it to be available for use or the number of production units expected to be created from using the asset.

In this case, Tim expects that the thermostat will need to be replaced in 05 years' time and therefore 05 years is potentially the equipment's useful life because this is the period over which we expect it to be available for use.

We should not depreciate the equipment over 10 years just because this spreads the cost over more years; useful life needs to be based on a proper assessment of how long the asset will be used. However, before firmly deciding that 05 years is appropriate, we need to consider how Tim has reached this conclusion.

As the Head of Property and Equipment, Tim is perhaps best placed in the business to make this judgement, but it will be important to understand his rationale.

It is possible to change the useful life of an asset after the initial assessment, if there is evidence that a different life is more appropriate. This would be known as a change in accounting estimate and would result in a change to the annual depreciation charge going forward, which would be calculated as the carrying amount of the asset at the date of the change divided by the new remaining life at that date.

KPIs: HRM

Staff turnover rate

This measures the percentage of employees leaving (monthly/quarterly/annually). In restaurants, turnover is the biggest HRM pain point. If HR policies on recruitment, onboarding, pay/benefits, scheduling, recognition, and career progression are effective, turnover should reduce—especially among key roles (kitchen/front-of-house). Lower turnover also supports service consistency.

Retention rate after onboarding/probation (e.g., 3-month or 6-month retention)

Turnover alone can hide whether HR is hiring the “right” people and onboarding them well. A “new-starter retention KPI” directly tests HR effectiveness in recruitment screening, induction training, and early support. In a chain like SoPa, improving early retention reduces repeat hiring/training cycles and stabilises staffing during busy periods.

Employee engagement / satisfaction index

This measures motivation levels (e.g., engagement score, satisfaction with supervisors, scheduling fairness, workload, recognition, training). If HR policies are effective, engagement should improve and predict better attendance, lower turnover, and stronger service behaviour. It also gives early warning signs before resignations rise.

I hope that this information would satisfy your need. Please contact me if you need any further explanations.

Finance Officer

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