



Mini Mock – Questions

Operational Case Study – November 2023 / February 2024

Copyright © 2023 TCS Edification Ltd, All Rights Reserved.

Any form of reselling, reproduction, broadcast, transmission and distribution of this material will constitute copyright infringement, instigating legal penalties. [1]

The 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	3	(a) 35% (b) 30% (c) 35%
2	45	1	3	(a) 45% (b) 25% (c) 30%

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 summarized in the table above).

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



Section 1 (45 mins)

It has been three months since expanding into Meland. Personal Best has been extremely successful within the country and thus is planning to increase sales and therefore production volumes. You receive the following email from Ben Morales, the Production Director.

From: Ben Morales (Production Director)

To: Finance Officer

Subject: Disposal of Equipment, Supplier Issues and Carbon Goals

As you know already, we are increasing production capacity, given the increasing demand for our products in Meland. As part of this expansion initiative, we are supposed to purchase two new blanching machines to be fitted within the production facility in Ceeland. To fund the investment on new machines, we will have to sell some of our equipment used in Ceeland on 31st December 2023 for C\$ 600,000. We purchased this equipment outright some time back for C\$ 350,000 and the carrying value at the date of disposal is C\$ 140,000. I need you to prepare a briefing paper which describes;

- How the disposal of equipment will affect the tax charge for the year and our financial statements for the year ended 30th June 2024.

[Sub task (a) – 35%]

As per Lisa Ward (Head of Procurement), some of our suppliers are not sticking to the Service Level Agreements (SLAs) signed by them. There has been delays in supplies of packaging material which has affected production adversely. Additionally, some of the packaging material has been of inferior quality and had to be returned. When we tried to report these issues, the suppliers were barely reachable.

- Describe three KPIs which can be used to measure performance of our existing packaging material suppliers, justifying each KPI.

[Sub task (b) – 30%]

On an unrelated matter, when discussing about green business practices with Julia Matthews (Finance Director), she highlighted that companies pursuing carbon reduction goals strive to be increasingly cost conscious as well. When I asked her as to how we can achieve the mentioned type of cost consciousness, she referred to a concept called the CGMA Cost Transformation Model, one which I am unaware of.

- Provide an explanation into the CGMA Cost transformation model. I am attaching an excerpt of a document which was shared by Julia (*Reference Material 01*), which highlights the six areas of the mentioned model.

[Sub task (c) - 35%]



Reference Material 01

The CGMA Cost Transformation Model

- Engendering a cost-conscious culture
- Managing the risk inherent in driving cost-competitiveness
- Understanding cost drivers, cost accounting systems and processes
- Connecting products and profitability
- Generating maximum value through new products
- Incorporating sustainability to optimize profits



Section 2 (45 mins)

Today is the 2nd of April 2024 and Personal Best has carried out the quarterly performance review. You receive the following email from the Finance Manager.

From: Akida Agu (Finance Manager)

To: Finance Officer

Subject: Variances Analysis and Redundancies

I was going through the variance analysis which you submitted recently with regards to Protein Bars. To gain an in-depth understanding of the variances, I had a chat with Penny Sanchez, (Sales and Marketing Director) and she provided me with information which appears on Reference Material 02 (Please refer to the attachment).

- Explain how each variance was calculated, highlighting why these variances occurred and what they tell us about market conditions.
[Sub task (a) – 45%]
- Also highlight the benefits of separating the variances into planning and operational variances, especially considering the changes in product prices and the issue with ingredient purchases.
[Sub task (b) – 25%]

Ben Morales (Production Director) informed that the board is planning to transform the entire packaging process, thereby embracing full automation. Gina Patel (Human Resources Manager) has highlighted that such a move will lead to redundancies within the department. Currently, Personal Best uses manual labour within its packaging operations.

- Hope you can describe how these probable redundancies can be handled in an ethical manner.

[Sub task (c) - 30%]

Thank You.

Akida

-----REFERNECE MATERIAL IS AVAILABLE ON THE NEXT PAGE-----



Reference Material 02

- There was a quality issue with our Peanut Protein Bar range. Some of the ingredients purchased for the manufacture of the Peanut PB range were found to be expired. These ingredients were sourced from a new supplier who did not conduct appropriate quality checks before supplying. We have resolved the issue, but it led to a shortage of Peanut Protein Bars in the market. To manage the reputational damage, the marketing department initiated a media campaign, and a 20% discount was announced.
- We ran a marketing campaign focused on Almond Protein Bars , at the same time offering a discount of 10% on retail price.
- Organic cashews were introduced within Cashew Protein Bars, which received an excellent review in a leading fitness magazine “Fit U”. The price was increased by C\$ 2 per bar due to the inclusion of the organic cashews.
- Information pertaining to sales variances are as follows (The variances were calculated using the individual units method).

Type	Budgeted sales (units)	Actual sales (units)	Bud. Sales price	Bud. Profit per unit
Peanut PB	670,000	201,000	21.00	9.86
Almond PB	290,000	298,700	21.00	8.33
Cashew PB	200,000	210,000	21.00	7.48
Total	1,160,000	709,700		

Type	Sales price variance	Sales mix profit variance	Sales quantity profit variance
Peanut PB	844,200 (A)	2,059,882 (A)	2,564,459 (A)
Almond PB	627,270 (A)	1,010,221 (F)	937,750 (A)
Cashew PB	420,000 (F)	655,532 (F)	580,732 (A)
Total	1,051,470 (A)	394,129 (A)	4,082,940 (A)

Suggested Answers are available at:

www.studyattcs.com

