



MCS Mock 5

MCS | May - Aug 2024

Exam attempted on 2024-05-10 05:08:20

Exam attempted by

Marked by Jared

Analyse whether this smart home remodeling is disruptive in the sense that it would significantly affect Flatthall's PBSA business

Comment [TCS1]: Analysis

A disruptive element is classified as an emerging development in a particular industry that severely disrupts the predominant business model.

Comment [TCS2]: Correct but there should be some reference to "technology"

Our current business model is built on us providing safe and attractive accomodation to students. Our amenities are standard, they are not basic but they are not high tech either. This smart home remodeling development is currently gaining traction.

Comment [TCS3]: Correct

Customers preferences are changing and leaning more towards smart home technology and energy saving features. As well as a desire for more personalisation and freedom within their accomodation. This is something that is currently not in our business model.

Comment [TCS4]: Appropriate

Therefore, in order to remain as a market leader in the student accomadation sector, the way we define and create value as stated in our busines model will have to change in order for us to remain economically viable long term.

Comment [TCS5]: Need go into the specifics of the business model elements because the task requirement does not require so.

Because of this huge shift in our business model, we can say that this smart home remodeling trend will significantly affect our PBSA business.

Comment [TCS6]: Discussion could have concluded with this para.

When creating value, we won't able to just rely on providing safe standard accommodation, we will need to take into account new customer trends and have to upgrade our amenities so they have some of the tech features that students want.

Comment [TCS7]: Appropriate

Also we will have to see if we can give our students any extra freedoms or any extra abilities to customise their living spaces. For example, we could create a "premium" cateogry of accommodation in our existing buildings, where students could have the ability to personalise their rooms and have extra freedoms, within reason.

Comment [TCS8]: It is not necessary to go into this extent because the task does not require us to give suggestions or recommendations. It is seen as a deviation.

When building new PBSAs we will have to build them with changing customer trends in mind, meaning we will need to add high tech features into the new buildings.

Comment [TCS9]: Appropriate

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Comment [TCS10]: Please refer to the suggested answers to see how these points have been articulated

Given this backdrop of increasing preference for technologically enhanced living spaces, what business risks must we prepare for? Please also suggest mitigation strategies that we can initiate to overcome these risks.

Comment [TCS11]: The headings must not be an exact copy-paste of the requirement. Remember this is your response to your superior in a professional context.

Risk of Technology becoming outdated

As we start to convert our existing accommodation to add these smart features, we have to be wary of the fact that technology becomes outdated very fast. There is a risk we can invest time and costs into a project and by the time the conversion project is complete, the tech is already outdated. In order to mitigate this risk, we should seek to install these tech upgrades in a way that is scalable. If we can ensure the underlying architecture that is driving the front facing tech is easily upgradeable, it means that we only have to go through the costs of set-up one time, future upgrades will be less time and cost consuming.

Increased Operational Costs

When installing these systems, there is a risk they could significantly increase operational costs. For example an advanced automation system would require a specialist to maintain and repair if it were to break. For mitigation, when choosing which tech upgrades to install, we should make sure of a technology implementation technology firm, who can guide us on the upkeep costs of our various options.

Also, when the system is installed, we should seek to train our operational teams in the maintenance and repair of our tech upgrades. So that do not need to hire external help once our upgrades are set-up. The knowledge on how to maintain these systems will be in-house to keep consultancy and maintenance and repair costs down.

Increased competition from private home rentals

As market demands shifts, we will receive more and more competition from private home rentals and there is a risk we could lose our position as market leaders in the student accommodation market. In order to mitigate these risks, we should seek to implement as many positive features from the private home rentals as we can. We should survey our current students in Flathall, to ask them which of the private home rental features they would like to see implemented in our PBSAs.

To combat the increased privacy that private home rentals naturally have, if this is a feature that the market demands, we could make certain sections of our existing PBSAs have more privacy and customisation options for a higher price, whilst the regular price is subject to our current regulations.

Comment [TCS12]: Correct

Comment [TCS13]: Disputable. It cannot become outdated within such a short span of time.

Comment [TCS14]: Correct

Comment [TCS15]: Appropriate

Comment [TCS16]: Appropriate

Comment [TCS17]: You could also add negotiating bulk discounts with technology suppliers to reduce initial installation costs.

Comment [TCS18]: Ideally, should have been at the top of the list.

Comment [TCS19]: Correct

Comment [TCS20]: Spelling

Comment [TCS21]: Correct

Comment [TCS22]: The problem is that if they haven't stayed in a private rental that has incorporated this smart technology, they will not be aware of the latest developments.

Comment [TCS23]: Acceptable suggestion but the practicality of it is questionable since existing buildings have been constructed based on approved plans and any changes will require approval.

Comment [TCS24]: Need to be more specific about what the customisation options are

Comment [TCS25]: This usually conveys the idea of legal conditions. PBSAs pricing is not subjected to any regulations as per the pre-seen.

Comment [TCS26]: The main reason for competition is the smart home technology. So, the mitigation strategy should address that as well.

Comment [TCS27]: Overall, most of the points from the answer plan have been successfully incorporated into the answer.

Evaluate the challenges of predicting accurate cash flows for the NPV appraisal of the six new PBSAs

Comment [TCS28]: *Evaluation of

In order to perform the investment appraisal for the new PBSAs, we need to assess all inflows and outflows of cash throughout the duration of the economic useful life of the PBSAs.

Comment [TCS29]: Correct

Cash inflows

Occupancy rate

The occupancy rate of the PBSAs directly impacts the revenue as it stipulates how many students will be paying rent and therefore contributing to the companies cash inflows. This will be challenging to predict for the duration of the PBSAs useful economic life as this will be heavily affected by customer trends. If customers in the future decide to favour private accommodation over PBSAs then average occupancy rates will drop, if we remain market leaders then occupancy rates will stay high. But it's very challenging to predict what customer trends will be like 20 years from now, even though this directly impacts our cash inflows.

Comment [TCS30]: Correct

Comment [TCS31]: Market trends – more appropriate

Comment [TCS32]: Correct

Comment [TCS33]: Inaccurate. *throughout the project life Cannot attach a number since we do not know the average UEL of a PBSA building

Rent Prices

Rent prices will be challenging to predict accurately. It's impacted by what's going on in the student accommodation market but also the wider economic backdrop in Towland. If Towland goes through a period of economic turmoil in 10 years time, that will affect our rent prices. So it's quite difficult to accurately predict rent prices throughout the duration of the PBSAs useful economic life, and rent prices directly impact and affect our cash in flows, making that aspect of cash flows challenging to predict.

Comment [TCS34]: Appropriate

Comment [TCS35]: Why specification of time?

Comment [TCS36]: Correct

Cash Outflows

Construction Costs

The construction costs throughout the project will be challenging to predict because it has been stated that because of the increased construction activity in Towland, there is a potential for a material shortage. Perhaps we will be able to mitigate our exposure to the material shortage and subsequent rise in material prices, by negotiating bulk deals with suppliers or striking contracts that guarantee that our materials will not rise in price, but as of now, it's quite challenging for us to predict what does cash outflows towards construction materials will look like.

Comment [TCS37]: Correct

Regulatory Changes

There is a potential that, during the lifetime of the investment, new government policies are introduced that could affect our cash outflows. For example, as technology continues to advance, the government could stipulate that new AI enhanced safety systems have to be installed in all PBSAs for student safety. We have already seen the regulators altering the process for "certificate of completions" so we know that the government will introduce new regulation if it is of the opinion that it will bring benefits to the students. It is difficult during the investment appraisal process to determine what regulations will be brought in and how much cash outflow will be required to bring us up to date with new regulations.

Comment [TCS38]: Correct

Interest Rate Changes

The central bank interest rate is bound to change throughout the course of the useful economic life of the PBSAs. As the interest rate changes, that effect our cost of capital which in turns affects how attractive an investement project is to us. The new PBSA project could have an NPV that is above our cost of capital today, but if the interest rate jumps up a year from now, suddenly our investment project may not seem so attractive, and it's quite difficult to ascertain what interest will look like over longer periods of time.

Comment [TCS39]: Correct

Comment [TCS40]: *IRR is the appropriate technique according to the construction of your sentence

Comment [TCS41]: Correct

Comment [TCS42]: Operating costs is one of the core considerations. It MUST have been covered

Comment [TCS43]: Except for operating costs, other main points from the answer plan have been successfully incorporated into the answer.

Identify and explain the potential project management challenges associated with the construction of the six new PBSA within the set timeframe and suggest how we can overcome those challenges

Shortage of construction materials

As stated it with the increase of construction in towland it could be potentially challenging for us to source all of our building materials. We can mitigate this risk by buying in bulk. Buying in bulk will allow us to have more influence with suppliers, they are more likely to favour us as we are buying in higher volumes than our competitots. We can also mitigate this by sourcing from multiple suppliers instead of relying on a single source and lastly, we can strike contract with suppliers now that gurantee materials at a certain price and/or volume so if demand increases suppliers are locked in with contracts with us so we are insulated from the current market enviroment.

Comment [TCS44]: Again, the headings must not be an exact copy-paste of the requirement.

Comment [TCS45]: Correct

Delays in obtaining "Certificates of Completion"

As stated because of the increases in construction projects in Towland, it's possible that there is a delay in getting our certificates of completion as it's possible that the regulators team that is reponsible for issuing new certificates of completion cannot

keep up with the uptick in demand so a queue will form and delays will occur. In order to mitigate this, we have to work closely with regulators, informing them on our project status. We have to foster a good working relationship with them and we also have to engage with them so we are very clear on what is needed for certificates of completion so we can meet those requirements the first time around without losing time because we missed an element or misunderstood a requirement.

Comment [TCS46]: Correct

Managing six different building sites

Because we are managing six different building sites, we should seek to appoint experienced managers who are able to manage these sites appropriately.

Comment [TCS47]: Correct but more explanation required

Managing different stakeholders with varying expectations

We have many different stakeholders in this project with varying expectations, we should communicate with them to ensure their needs are understood and met.

Comment [TCS48]: Correct but more explanation required

Managing a budget

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Comment [TCS49]: Considering it's a 50% requirement, minimum 3 challenges with suggestions to overcome should have been discussed.

Comment [TCS50]: Overall, answer plan has been successfully expanded onto an answer.

Answer for Section 3 | MCS Mock 5

Elapsed Time 34:46

Analyse the potential benefits of implementing Total Quality Management (TQM) principles at Flatthall

Total quality management is a quality management framework that promotes continuous improvement. It requires the commitment and participation of employees at every level of the company.

Comment [TCS51]: Correct

Benefits

Customer Retention

Within total quality management "quality" is defined as customer satisfaction and every employee in the company is focused on how their role in the company can achieve customer satisfaction.

Comment [TCS52]: Correct

For example under TQM, our conceirges will be focused on how their level of service towards our students will result in the students being satisfied as customers. This high customer satisfaction rates organically leads to increased customer retention rates, as students will be more likely to book accommodation with us again the following academic year.

Comment [TCS53]:

Employee Engagement

Under TQM, employees are encouraged to gather within smaller groups called "quality circles", where they can exchange ideas on continuous improvement within the organisation. This increases employee engagement as they feel their idea are being listened to and potentially implemented by the company.

Comment [TCS54]: Correct

Comment [TCS55]: One more answer point should have been discussed considering the 35% weighting

How we can apply Business Process Re-engineering (BPR) principles to our PBSA pricing mechanism

Business process re-engineering is the process of reformatting a business process in a way that drives efficiency.

Comment [TCS56]: Needs to be more technically accurate

Firstly we should lay out the current pricing process identifying any inefficiencies, bottlenecks, elements that don't add value. For example, if we are collecting the pricing data from our competitors in order to establish the market rate in a particular location, if we are doing this process manually, this is a bottleneck in the process as this could be improved, we should identify it as an element to be improved.

Comment [TCS57]: Appropriate

Next we should reformat the process in a way that eliminates those bottlenecks. For example instead of collect pricing data from our competitors manually, we should use automation to make the process faster and more accurate. A computer program could automatically look-up the comeptitors prices on accommodation websites and would be able to analyse the data and determine the market rate in a particular area much faster than a human.

Comment [TCS58]: Appropriate

Lastly, using these BPR principles, we should develop a dynamic pricing system that takes into account customer needs as well as market rates. We have over 150 different PBSA building, all of which in different locations, the pricing mechanism should be dynamic and should take that into account.

Comment [TCS59]: 174. You do not want to send out the message to the marker that you don't know this crucial piece of information from the first sentence in the pre-seen.

Comment [TCS60]: Appropriate

Three Key Performance Indicators (KPIs) for evaluating the performance of Flatthall's PBSAs

Occupancy Rate: Number of Unoccupied Rooms / Total Rooms

The occupancy rate allows us to see how well the PBSA is able to fill it's capacity, if too low perhaps prices need to be adjusted.

Comment [TCS61]: Correct

Customer Satisfaction Rate: Number of student complaints / Number of Students

Customer satisfaction rate allows to see the relative amount of complaints across all of our PBSAs. We would expect all them to have a relatively low rate. If one is higher

Comment [TCS62]: This measures: % of customer complaints. Not satisfaction ratite

Comment [TCS63]: inaccurate

than the average then that would suggest there is something operationally in that particular PBSA that needs investigating.

Expenses Ratio: Operational Expenses / Total expenses

The expenses ratio allows us to see the relative operational costs across all PBSAs. If one is higher than average, we should investigate.

Comment [TCS64]: Not sufficiently clear and accurate

Comment [TCS65]: Although the last two KPIs are not technically accurate, it is great to see that you have attempted it without referring to the MCs.

Answer for Section 4 | MCS Mock 5

Elapsed Time 19:42

Evaluate Hamid's suggestion that the proposed pre-booking scheme will improve Flatthall's revenue for the financial year ending 31st August 2025 along with the financial reporting implications of the pre-booking scheme

This is relating to IFRS 15 - Revenue recognition from customer contracts

Comment [TCS66]: Again, the headings must not be an exact copy-paste of the requirement.

1. Identify Contract - we should ensure that both Flatthall and the students have committed to the contract, also it should be assumed that Flatthall will receive the monies due in full. As this is just a 25% deposit. It is not certain if the students will actually pay in full, so this requirement as not been met.

Comment [TCS67]: * Revenue from contracts with customers

Comment [TCS68]: Appropriate

2. Determine performance obligations - In this case, our performance obligation is to provide accomodation throughout the contracted period.

Comment [TCS69]: Correct

3. Determine Price - The price annual rent that is to be paid in monthly installements

Comment [TCS70]: Language

4. Allocate performance obligations to the price - We should allocate the monthly provision of the accommodation to the monthly rent

Comment [TCS71]: *Allocate the transaction price to the performance obligations related to the contract:

5. Recongnise revenue when obligations have been met - In this case we cannot recognise the revenue until we have fulfilled our obligation of providing the accommodation. So there will be no effect on revenue relating to the pre-booking scheme, as the revenue cannot be recongnised until September at the earliest. And even then, we can only recognise any revenue that is relating to the obligaiton that was fulfilled in September.

Comment [TCS72]: Appropriate

Comment [TCS73]: Should have added a sentence in conclusion confirming that Hamid's suggestion is incorrect.

Comment [TCS74]: Pls compare against suggested answers.

Assuming we acquire a 100% stake in ZedEx, discuss the implications for Flathall Group's financial statements of a significant fall in the value of the Eastland E\$

According to IFRS 10 - Consolidated financial statements, as Zedex is a 100% subsidiary, 100% of it's expenses, income, assets and liabilities should figure in our consolidated financial statements.

Comment [TCS75]: Again, the headings must not be an exact copy-paste of the requirement.

Comment [TCS76]: ?

As Zedex is in Eastland, it's revenues will be in E\$ and it's operating expenses will be in E\$. Therefore is going to report in E\$ as that is Zedex's functional currency.

Comment [TCS77]: financial statements

However according to IAS 37, as our subsidiary, in the consolidated statements, those values should be translated to the groups presentation currency which is the T\$.

Comment [TCS78]: as the functional currency will also likely to be

During this conversion the assets and liabilities should be converted using the closing rate and the income and expenses should be translated using the year's average exchange rate.

Comment [TCS79]: 211

Comment [TCS80]: Correct

Comment [TCS81]: Correct

If there is a significant fall in value of the E\$, upon translation, there will be a gain on translation on the liabilities and a loss on translation on the assets. We can assume that overall there will be a loss on translation as the assets are more than likely higher than the liabilities. We just acquired this subsidiary, it's doubtful we would have acquired it if the assets were lower than the liabilities.

Comment [TCS82]: Correct

Comment [TCS83]: and goodwill

Comment [TCS84]: Correct

Comment [TCS85]: Not yet

The loss on translation will figure on the foreign currency reserve in the consolidated balance sheet and it will also figure in the "other comprehensive income" in the consolidated P&L and other comprehensive income.

Comment [TCS86]: Correct

Comment [TCS87]: Pls compare against suggested answers.

Task	Allocated	Gained	Success %	
1	(a)	15	10	67%
	(b)	22.5	15	67%
2	(a)	18.75	13	69%
	(b)	18.75	13	69%
3	(a)	13	8	62%
	(b)	13	9.5	73%
	(c)	11.5	5	43%
4	(a)	18.75	12.5	67%
	(b)	18.75	13	69%
Total	150	99	66%	

Pass Mark: 80/150