



Mini Mock Task 01: Answer Plan

Strategic Case Study – May & August 2023

Answer Planning Technique

Please refer to the recorded version of Webinar 03: Answering Technique for an in-depth guide on answer planning. Visit www.studyattcs.com and check out the “Free Content” tab to access the video tutorial.

Replicate the same technique when practicing the five mock exams and when attempting the real exam.

Questions

- Total mark allocation: 50 marks per task
 - FA’s comments (25% = 12.5 marks)
 - Director’s salaries (25% = 12.5 marks)
 - Managing impact of carbon laws (50% = 25 marks)

Answer Plan

- Total time allocation: 60 minutes per task
 - Time allocation for the Answer Plan: 25 minutes per task
 - Time allocation for typing: 35 minutes per task

Step 1: Determine headings

FA's comment

Directors' Salaries

Managing impact of carbon laws

Step 2: Subheadings (if needed), and bullet points

FA's comment (12.5 Marks)

- Diversification: Introducing autonomous vehicles
 - Increased cashflows
 - High dividends can be paid
 - Increased profits
 - High share price
 - Initial: High costs
 - Long run: Costs will decrease
 - Operational efficiencies
 - Elimination of driver salaries
 - Additional revs: new customer segment
 - Environmentally conscious customers
 - However, need to monitor additional operational costs
 - Increase Beta
 - Current 1.27
 - Attracts risk positive investors
 - Beta increasing: Volatility of shares increases (riskier)
 - Short term: share price might dip
 - Increased k_e
 - Long run
 - Reduced risk due to better profits and cashflows

Director's Salaries (12.5 Marks)

- Legitimate for directors to request higher salaries
 - Increased workload due to increased business risk (Beta more than 1)
- Directors should not decide
 - To avoid conflict of interest
- Should be set by the Remuneration Committee (RC)
 - Non-execs should dominate (We conform)
- Board responsibilities have increased
 - RC should benchmark with salaries paid by other 3PLs
 - Objective: Attract and retain capable directors
 - Salaries should not be excessive
 - Appoint new Directors? If so,
 - Nomination Committee (NC) should handle it
 - Non-execs should dominate (We do not conform)

Managing impact of carbon laws (25 Marks)

- Identify main stakeholders
 - Environmentalists
 - High interest low power
 - Can harness the power of the govt
 - Don't negotiate directly
 - Bad publicity
 - Use media to engage: Daistruk's narrative
 - Govt
 - High power high interest
 - Explain that the law affects other stakeholders adversely as well
 - Engage directly
 - How to change?
 - Use past political affiliations (Non Exec Chair)
 - Highlight that we believe in sustainability (Vision)
 - Change internal dynamics if needed, to fall in line
 - Major stakeholders: shipping companies & airlines
 - Collaborate and try to reduce emissions in transportation
 - Ask them to support us (changing the law)
 - Lobby
 - To save livelihoods of employees and shareholders
 - Should not be too excessive
 - Competitor (Carree)
 - High interest. If both companies work together, power increases
 - General
 - Internal investigation: Is the article factual?
 - If yes,
 - Accept fault publicly
 - Inform about steps to mitigate
 - Media & our website

Step 3: Type the answer

Expand the answer plan, using a paragraph (2 to 4 lined sentences) per answer point.

Suggested Answers are available at:

www.studyattcs.com