



**TCS**  
**Online**

## **Mini Mock – Questions**

Operational Case Study – November 2021 / February 2022

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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) 50% (b) 25% (c) 25%
2	45	1	3	(a) 50% (b) 25% (c) 25%

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)

**Today is the 1st of November 2021 and TreadCushy has carried out the quarterly performance review. You receive the following email from the Finance Manager.**

From: Ben Numa  
To: Finance Officer  
Subject: Training and Development, Budgeting and Relevant Costing

Dear Finance Officer,

We have decided to launch special training and development sessions for our retail store employees to enhance the quality of our operations. In line with the initiative, Harry told me to do a presentation on the training and development program which we need to follow for our retail store employees.

- Therefore, could you please draft me a report on the steps which need to follow in our training and development program. I believe that we will be able to continue the training and development program in the coming years if we could generate a better output this time. **[Sub task (a) - 50%]**

Further, during the board meeting, there was a discussion regarding different budgeting styles and the level of people involved with the budgetary process. The finance director asked me to provide a report evaluating the benefits and drawbacks of the imposed and participative budgeting styles.



- Since I am busy with my work, could you please provide me an explanation to the above-mentioned requirement?

**[Sub task (b) - 25%]**

Moreover, we have received special requests from the “ABC” and “XYZ” which are well renowned second-hand car trading companies to sell our old delivery vehicles to them. We received quotations and it is a bit difficult to understand. I thought to do a cost and benefit analysis, before selecting a supplier. I have attached all the information which is relevant to you (*Reference Material*).

- Please carryout a relevant cost and benefit analysis and evaluate the decision which we need to take, either to keep our delivery vehicles or sell them.

**[Sub task (c) -25%]**

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



## **Reference material**

Information about the vehicles

- Delivery vehicles – 20 vehicles
- Book Value of the Vehicles – K\$1000,000
- Annual Depreciation charges – K\$100,000
- As these delivery vehicles are outdated within the market, the company has no intention to replace these vehicles
- Present Value of the Future Cash flows Associated with the Vehicles – K\$1,200,000

### **Quotation of ABC**

- Sell the vehicles at present condition for K\$900,000

### **Quotation of XYZ**

- Sell the vehicles for K\$1,100,000 after replacing the gearbox
- To replace the gear box, it will cost K\$150,000 for 20 vehicles



**Ben Numa has returned from a town hall a while back. He has sent you an email which needs your immediate attention.**

From: Ben Numa

To: Finance Officer

Subject: Delivery vehicle Expansion, Digital Costing and KPIs

I require your assistance with a few matters that need urgent attention. Last month, the board decided to purchase electric powered delivery vehicles, thereby taking the first steps towards achieving the Carbon neutral objective by 2030. The acquisitions are currently underway. I have prepared a list of expenses that we have incurred in the acquisition of these vehicles. However, I am unsure if all these expenses should be capitalized.

- Therefore, could you please give me a brief explanation about the criteria for capitalization of expenditure under IAS 16 - property, plant and equipment and the treatment for each of these expenses in the financial statements. Please refer to the information which I have attached with this email (*Reference Material*) in preparing your response. **[Sub task (a) -50%]**

With the competitive environment of our company being more dynamic than ever, the Finance Director, Emily Queda, stressed on the importance of staying ahead of the competition in all key areas, especially with regards to access of cost and other critical information at real time to facilitate faster and informed decision making. She suggested that the company should move to a digital costing system that would augment the costing system that is currently in place. The Finance team is expected to brief the board regarding the benefits of adopting a digital costing system for our business.

- Therefore, please draft a paper outlining the benefits of adopting a digital costing system, augmenting the current costing system. ***[Sub task (b) -25%]***

Further, we get really good insights from our data analytics through our website and mobile app, which we review on an informal basis. It would be prudent for us to utilize this data on a more formal basis to develop key performance indicators which would enable us to determine the current and potential sales performance of the company, particularly online.

- Therefore, please suggest a few KPIs based on the data analytics from our website, explaining how they would be calculated and why they would be appropriate. ***[Sub task (c) -25%]***

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



## Reference Material

Costs related to the vehicle purchasing

<b>Cost Item</b>	<b>K\$</b>
Purchase costs including VAT	2,500,000
Building work required to adjust parking capacity	700,000
Maintenance and service contract cost	80,000
Crew training cost (1)	120,000
Essential modification costs (2)	400,000
Lease interest costs (3)	74,000

Notes:

- The vehicles use electric technology to optimize energy usage. The use and maintenance of these vehicles required training, since TreadCushy does not possess any electric vehicles in its distribution fleet.
- Some of the vehicles that were purchased required certain modifications that had to be installed additionally.
- The vehicles were purchased under a lease for which an annual lease payment is incurred that includes a lease interest.

