

Marking guide for Role Simulation Examination December 2020

The Role Simulation exam aims to examine knowledge, skills and behaviours in roughly equal proportions. This is reflected in the marking process where the available marks for each requirement are identified as Knowledge marks (K), Skills marks (S) and Behaviour marks (B).

A set of answers is issued to markers, giving an overview of the K, S and B points that can attract marks for each requirement. The model answers are extensive and contain all the points that could have been made; candidates are not expected to produce such full answers in the exam.

Broadly speaking, the K marks are for demonstration of appropriate and accurate knowledge and understanding from the Learning Materials for the five Certificate syllabuses assessed by the Role Simulation. This knowledge can be explicit or implied (eg where the answer is developed using recognised terminology, not just common sense).

Specifically, the K marks are for knowledge related to:

- Technical
- Business awareness
- Ethics and standards
- Regulation and compliance
- Systems and processes

The S marks are for the following skills:

- Analysis
- Communication
- Leadership
- Planning and prioritisation
- Producing quality and accurate information
- Team working and collaboration
- Using systems and processes

The B marks are for the following behaviours:

- Adaptability
- Adding value
- Ethics and integrity
- Proactivity
- Professional scepticism

For example, if the requirement was to 'analyse the industry using PESTEL analysis' then K marks would be available for knowing the meaning of the key headings and the terminology for items commonly seen under these headings, and both S and B marks would be available for applying this knowledge to the scenario and using the information in the scenario to explain how the force works.

For written requirements where the candidate may make many equally valid points using different aspects of knowledge, skills and behaviour, more marks were identified for explanations in the mark scheme than were available in the maximum mark awarded. In these requirements, once the maximum awarded mark was achieved by a candidate, no further marks were given.

The pass mark is 70% across the paper. There is no requirement to score at least 70% in each of the K/S/B pools of marks, nor to score at least 70% in each of the two tasks.

December 2020 marking grid

	Marks identified in marks scheme				Maximum full marks
	K	S	B	Total	
Task 1					
1.1a	7	5	0	12	5
1.1b	0	2	0	2	2
1.1c	4	2	0	6	6
1.2	1	18	0	19	17
1.3a	5	0	0	5	2
1.3b	0	3	0	3	3
1.3c	8	6	0	14	6
1.3d	2	4	0	6	4
1.3e	0	10	0	10	4
1.4a	0	6	5	11	6
1.4b	3	4	7	14	5
	30	60	12	102	60
Task 2					
2.1a	1	0	0	1	1
2.1b	0	2	0	2	2
2.1c	0	7	0	7	7
2.1d	0	3	7	10	4
2.2a	3	5	1	9	6
2.2b	5	3	4	12	6
2.3a	3	3	2	8	6
2.3b	3	2	1	6	4
2.3c	0	3	12	15	4
	15	28	27	70	40
Overall total	45	88	39	172	100

The marking information set out below is that used to mark the requirements in the December 2020 exam. Markers were encouraged to use discretion and generally to give the benefit of the doubt where it was evident what the candidate was trying to explain even though the explanation could have been expressed more clearly. No partial marks were awarded but the 'own figure' (OF) rule in calculations was applied.

Examiner comments

Task 1.1
<p>Examiner's comments</p> <p>Candidates were presented with information about three matters that affected the final financial statements for the year ended 31 October 2020, including more detail about: the effects of a fire at RDP's building; a rights issue of shares; the payment of advance fees to external specialists who work on RDP's productions. All these matters had been flagged in the AI.</p> <p>Overall, this sub-task was well-answered.</p>

Task 1.1 (a)	Marks	Nature
<p>The impairment loss of £140,000 decreases RDP's profit</p> <p>Explanation of differences between impairment losses and depreciation charge: Note: Max 2 marks if covered only one of impairment/depreciation</p> <p>Comparison: An impairment loss is charged as a one-off against profits whereas depreciation is an annual charge.</p> <p>Both reduce the carrying value of the asset - the revised carrying amount of the asset is its cost less accumulated depreciation less impairment losses.</p> <p>Depreciation: Depreciation allocates the cost of an item of PPE, less its residual value if any, over its useful life to the entity.</p> <p>It is an application of the matching or accruals principle/ the cost of the asset is matched against income recognised, in each accounting period, which the asset helps to generate.</p> <p>The building cost £600,000 so annual depreciation of £30,000 will be charged (600,000/20)</p> <p>Impairment: An impairment review is required when there are either market or specific events that indicate an asset's value may have decreased.</p> <p>In the case of RDP's building, the event is the fire.</p> <p>If the asset's value is reviewed and its recoverable amount is found to be less than the carrying amount, it is said to be impaired</p> <p>Provided the fall in value is not expected to be recovered from future use of the asset.</p> <p>Recoverable amount is the higher of fair value less costs to sell and value in use.</p>	<p>1</p> <p>4 marks max</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>S Analysis</p> <p>S Analysis</p> <p>S Analysis</p> <p>K Regulation & compliance</p> <p>K Technical</p> <p>S Analysis</p> <p>K Regulation & compliance</p> <p>S Analysis</p> <p>K Regulation & compliance</p> <p>K Regulation & compliance</p> <p>K Regulation & compliance</p>

An impairment loss is calculated which is the difference between the carrying amount and the revised, impaired value.	1	K Technical
Examiner's comments On the whole candidates produced good explanations of impairment losses, but a high proportion failed to explain depreciation accurately, often referring to it as a means of identifying the loss in value of an asset during an accounting period. Most candidates correctly identified the reduction in RDP's profit due to the impairment loss.		
Total available marks Maximum full marks	12 5	7K, 5S

Task 1.1 (b)	Marks	Nature
(£200,000/£0.5)/5= 80,000 /4 = 20,000 shares	2	S Quality/accurate info
Examiner's comments Most candidates calculated the number of shares per director accurately.		
Total available marks Maximum full marks	2 2	2S

Task 1.1 (c)	Marks	Nature		
Journals 31/10/2020				
DR Cash 80,000 OF*£0.70	56	1 for number 1 for a/cs 1 for DR/CR	S Analysis	
CR Ordinary shares 80,000 OF * £0.50	40			
CR Share premium 80,000 OF * £0.20	16			
Narrative explanation eg: <i>Being the rights issue of 80,000 50p ordinary shares to the directors at a premium of 20p per share</i>				
DR Inventories/WIP	197	1	K Technical	
CR Cost of Sales	197	1	K Technical	
<i>Being the setting up of WIP for pilot episode funded by RDP by reversing the expense in cost of sales</i>			1 for both narratives	S Quality/accurate info
Examiner's comments Performance in producing accurate journals, many with narratives, was very good for the most part.				
Total available marks Maximum full marks	6 6	4K, 2S		

Task 1.2
<p>Examiner's comments In this task candidates were presented with a list of balances as at 31 October 2020 plus some information, in addition to that in the first sub-task, that required adjustment to the balances.</p> <p>Overall, this sub-task was answered well.</p>

Task 1.2	Marks	Nature
Real Deal Productions Ltd: Statement of financial position as at 31 October 2020		
£'000		£'000
ASSETS		
Non-current assets		
Property, plant and equipment		652
Current assets		
Inventories 235+197 (1.1)	432	
Trade and other receivables 4493+2419	6,912	
Cash and cash equivalents 3630+56 (1.1)	<u>3,686</u>	
Total assets		<u>11,030</u> 11,682
EQUITY AND LIABILITIES		
Equity		
Ordinary share capital (50p shares) 200+40 (1.1)		240
Share premium (1.1)		16
Retained earnings		<u>6,265</u>
Total equity		6,521
Non-current liabilities		
Borrowings (8% debentures) 500-100		400
Current liabilities		
Borrowing (8% debenture repayable 31 October 2021)	100	
Trade and other payables 3160+1291+40 OF	4,491	
Income tax payable	<u>170</u>	
Total equity and liabilities		<u>4,761</u> 11,682
Title, headings and layout	1	K Regulation & compliance
Presentation	1	S Quality & accurate info
PPE working		
Land		350
	1	S Quality & accurate info

Building 600-300-140	160	1 for impairment 1 for scrap 1 for carrying amounts of both from TB	S Analysis
Equipment 400-240-18 OF	<u>142</u>		S Analysis S Quality & accurate info
	<u>652</u>		
Retained earnings working			
Draft profit plus opening Retained Earnings (720+5406)	6,126	1	S Quality & accurate info
Advance fees in WIP (1.1)	197	1	S Analysis
Finance costs (500*0.08)	(40)	1	S Analysis
Loss on equipment (carrying amount = 45*2/5)	(18)	1	S Analysis
	<u>6,265</u>		

Examiner's comments		
All candidates produced a statement of financial position in accordance with IAS 1, the most common error being failure to include RDP's name or the accounting date as a heading, which lost a format mark. Many struggled to identify all the relevant adjustments affecting the retained earnings figure. Better candidates produced a clear working for both the retained earnings figure, as explicitly required, and the PPE figure.		
Total available marks	19	1K, 18S
Maximum full marks	17	

Task 1.3
Examiner's comments
Candidates were presented with two extracts from an email from the external auditor to the finance director. These covered the establishment of figures for both materiality for the financial statements as a whole and performance materiality, and the audit testing of balances for trade payables, accrued income and deferred income.
Performance on this sub-task was good.

Task 1.3 (a)	Marks	Nature
Materiality affects the fundamental qualitative characteristic of relevance	1	K Technical
Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole	1	K Technical
A matter is material by virtue of its size or nature , if its omission or misstatement could influence the economic decisions of users taken when using the financial statements	1 1	K Technical K Technical
...to evaluate past events or predict future events	1	K Technical
Examiner's comments		
A surprisingly high number of candidates failed to identify relevance as the fundamental qualitative characteristic that is affected by materiality. Most however referred to the definition of materiality so achieved at least one mark.		
Total available marks	5	5K
Maximum full marks	2	

Task 1.3 (b)	Marks	Nature
2% total assets: $2\% \times 11,682,000 = \text{£}233,640$ (OF)	1	S Analysis
1% revenue: $1\% \times 17,280,000 = \text{£}172,800$	1	S Analysis
Lower figure, rounded = $\text{£}173,000$ (OF)	1	S Quality & accurate info
Examiner's comments Materiality for the financial statements as a whole was correctly calculated by the vast majority of candidates. Weaker candidates failed to apply the rounding specified.		
Total available marks	3	3S
Maximum full marks	3	

Task 1.3 (c)	Marks	Nature
Materiality for the financial statements as a whole v performance materiality: Materiality for the financial statements as a whole is calculated by the auditor using benchmarks such as revenue, PBT and total assets when planning and conducting the audit.	1	S Using systems
An error above this figure is a material misstatement in the financial statements.	1	K Systems & processes
Performance materiality is based on professional judgement	1	K Systems & processes
...that is usually calculated as a percentage of materiality for the financial statements as a whole so it is always lower than materiality for the financial statements as a whole	1	K Systems & processes
... is set by the auditor to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole	1	K Systems & processes
...is the tolerable level of misstatement in balances in the published financial statements / provides a margin of safety in relation to any undetected misstatements.	1	K Systems & processes
Impact of performance materiality on testing: Performance materiality is the level of misstatement that the auditor can accept will not be detected or corrected during the course of audit testing / allows the auditor to judge whether the level of actual misstatements identified during testing is acceptable	Max 3 1	K Systems & processes
When determining the level of testing, the auditor applies performance materiality to individual balances and classes of transactions / A different level of performance materiality may be set for different transactions or balances	1	S Using systems
A low level of performance materiality for a balance/class of transactions indicates more testing will be required	1	S Using systems
All individual balances and classes of transactions in the financial statements that exceed performance materiality will be tested.	1	K Systems & processes

A sample of remaining balances will also be tested.	1	K Systems & processes
Performance materiality amount affects sample sizes for testing	1	S Using systems
Specific examples of RDP balances for testing at different levels eg trade payables will have a higher level of testing as a lower level of performance materiality	1	S Using systems
	Max 2	
Email to Celine	1	S Communication
Examiner's comments Many candidates struggled to distinguish between materiality for the financial statements as a whole and performance materiality clearly enough, which limited their marks. Most however made a good attempt at explaining how the level of performance materiality affects testing of balances in the financial statements.		
Total available marks	14	8K, 6S
Maximum full marks	6	

Task 1.3 (d)	Marks	Nature
Random selection	Max 2	
Random selection uses random number tables or a computerised random number generator to ensure that all items in the population have an equal chance of selection.	1	K Systems & processes
For example, Toni may use random number tables or a computerised random number generator to identify outstanding invoices for testing, or balances with specialists for reconciliation with statements.	1	S Using systems
This would require sequential numbering of invoices received, or identification of invoices by date received, or numbering of specialists by payables ledger code.	1	S Using systems
Systematic selection	Max 2	
Systematic selection involves selecting items using a constant interval between selections, the first interval having a random start.	1	K Systems & processes
Systematic selection does not necessarily mean that all items in the population have an equal chance of selection	1	S Using systems
For example, Toni may select every 100th invoice from a random start point in a list of invoices received in date order, or every 5 th specialist on the payables ledger.	1	S Using systems
Examiner's comments Sample selection methods, and their application to the audit of balances owed to external specialists, appeared to be well understood by candidates and many scored full marks on this requirement.		
Total available marks	6	2K, 4S
Maximum full marks	4	

Task 1.3 (e)	Marks	Nature
<p>2 marks max for any valid substantive procedure, only first two procedures marked</p> <p>Inspect contracts... ... to establish the performance obligations that must be completed for revenue to be calculated</p> <p>Inspect cost reports... ...to identify that the degree of completion has been established in line with the contract/ the costs have been established in full/in relation to the correct period</p> <p>Inspect the related invoices to the client... ... to ensure invoicing is complete, in line with the contract and related to the current period (deferred income)/subsequent period (accrued income)</p> <p>Recalculate accrued and deferred income ...to ensure accuracy and correct cutoff</p> <p>Perform analytical procedures: ...could point to an understatement if each total balance has inexplicably changed from previous years / analyse level of accrued/ deferred income for each programme to establish reasonableness</p>	<p>1 1</p> <p>1 1</p> <p>1 1</p> <p>1 1</p> <p>1 1</p>	<p>S Using systems S Using systems</p> <p>S Using systems S Using systems</p> <p>S Using systems S Using systems</p> <p>S Using systems S Using systems</p> <p>S Using systems S Using systems</p>
<p>Examiner's comments The default procedure suggested by candidates was to vouch invoices to post-year-end bank statements, which was of limited relevance. Performance on this requirement was weak, therefore.</p>		
<p>Total available marks Maximum full marks</p>	<p>10 4</p>	<p>10S</p>

Task 1.4
Examiner's comments
Candidates were given information about the detailed format for a programme idea ('A Wild Career') which had been introduced to them in the AI, plus an exchange of views between the finance director and the CEO concerning the business and professional ethics behind the programme and its production.
Candidates performed very well in this sub-task.

Task 1.4 (a)	Marks	Nature
<p>Identification of three elements of RDP's statement of business ethics and explanation of how the plan fails to comply</p> <p>Value of fairness</p> <ul style="list-style-type: none"> This is not fair as participants are not allowed contact with the outside world and the production team will judge their removal based on entertainment value. Even adults can be psychologically damaged by the format of the programme <p>Value of kindness</p> <ul style="list-style-type: none"> The programme is unkind - participants face sudden removal from the park and animals, without warning, having been encouraged to form close bonds. <p>'Close attention to age/vulnerabilities of participants'</p> <ul style="list-style-type: none"> Participants are aged between 17 and 19 so are vulnerable; it is known that even adults are psychologically damaged by the format and the ensuing media coverage but it is not clear how RDP plan to address this <p>Full compliance with Ofcom</p> <ul style="list-style-type: none"> There is non-compliance with Ofcom rules re psychological (not physical) welfare of participants. <p>Deal with ethically-aware partners</p> <ul style="list-style-type: none"> Planning to co-produce with an indie which is known for questionable/ unethical behaviour regarding clients; can we be certain that they do indeed have in-house experts who would ensure the animals were treated in an appropriate way? <p>Unethical behaviour could lead to: Ofcom fines; reputational damage; RDP employees and regular specialists becoming disillusioned with the company</p>	<p>Max 2 each (first 3 only)</p> <p>1 1</p> <p>1 1</p> <p>1 1</p> <p>1 1</p> <p>1 1</p> <p>1</p>	<p>S Analysis B Ethics & integrity</p> <p>S Analysis B Ethics & integrity</p> <p>S Analysis B Ethics & integrity</p> <p>K Regulation & compliance B Ethics & integrity</p> <p>S Analysis B Professional scepticism</p> <p>S Analysis</p>
Examiner's comments		
A variety of approaches to answering this requirement was possible. Most candidates chose to identify three individual elements of RDP's statement on business ethics (which covered RDP's values, regulatory compliance, vulnerability of participants and ethical partnerships) then described how the plan for the programme failed to comply with each. This proved to be a more successful and coherent approach than candidates who identified aspects of the production plan then sought to identify elements of the statement that were undermined by them.		
Total available marks	11	1K, 5S,5B
Maximum full marks	6	

Task 1.4 (b)	Marks	Nature
Integrity Sammy lacks integrity/ is dishonest in being associated with misleading information re costs	1	K Ethics & standards
Otis and RDP being party to Sammy's manipulation of production quality and costs lacks straightforwardness.	1	S Analysis
Otis and RDP being associated with a company that is known to not pass on savings in line with the contract lacks integrity	1	B Ethics & integrity
Going ahead with a programme involving young participants while knowing that adults have struggled lacks integrity.	1	B Ethics & integrity
Objectivity		
Sammy and in turn Otis should not allow bias, conflict of interest or the influence of others to cloud their business judgements relating to customers, the programme plan or the decision to partner	1	K Ethics & standards
The danger that Sammy will steal the idea threatens Otis' objectivity.	1	S Analysis
Professional behaviour (bring disrepute on the profession)		
Sammy invoicing for fictitious cost overruns is fraud (not complying with rules/regulations) and does not constitute professional behaviour	1	S Analysis
Self interest threat		
If RDP associates with Swerve it is benefiting knowingly from Sammy's unethical behaviour, so this is a self-interest threat	1	B Ethics & integrity
Swerve being able to secure the best deal from clients is a self-interest threat for Otis given his role as Finance director will involve controlling costs/maximising profitability	1	B Ethics & integrity
Intimidation threat		
Sammy is intimidating clients into entering the contract by including the savings clause with no intention of complying with it.	1	S Analysis
Sammy/Swerve knowing the details of the programme is an intimidation threat to RDP	1	B Ethics & integrity
Josh appears to be intimidating Otis to be non-compliant with his professional ethics in expecting him to vote for the co-production	1	B Ethics & integrity
Action		
Otis should not vote in favour of seeking a commission for "A Wild Career" because this would make him complicit in Sammy's apparent breaches of ICAEW code and therefore not ethical	1	B Ethics & integrity
Otis may need to consult the ICAEW confidentially as to what he should do.	1	K Ethics & standards
Examiner's comments Most candidates performed well on this task, clearly explaining professional principles and threats that, for Otis, were at stake in deciding how to respond to the CEO's attempt to influence his vote at the board meeting.		
Total available marks Maximum full marks	14 5	3K,4S,7B

Task 2.1
Examiner's comments
The AI included information on RDP's production accounting methods, including cost budgets. In the exam paper candidates were presented with data relevant to cost budgeting for two separate productions, 'HighSchoolSports' and 'The Mobile Kitchen'.
Candidates performed very well in this sub-task.

Task 2.1 (a)	Marks	Nature
B Target costing	1	K Technical
Examiner's comments Nearly all candidates correctly identified target costing as RDP's approach to costing for 'HighSchoolSports'.		
Total available marks Maximum full marks	1 1	1K

Task 2.1 (b)	Marks	Nature
$(£250,000 \times 6) \times 80\% = £1,200,000$	2	S Analysis
Examiner's comments Again, nearly all candidates correctly calculated the total cost budget for the programme.		
Total available marks Maximum full marks	2 2	2S

Task 2.1 (c)	Marks	Nature																																	
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Units</th> <th style="text-align: center;">Total cost £</th> </tr> </thead> <tbody> <tr> <td>High number</td> <td style="text-align: center;">1,935</td> <td style="text-align: center;">24,000</td> </tr> <tr> <td>Low number</td> <td style="text-align: center;">1,785</td> <td style="text-align: center;">22,500</td> </tr> <tr> <td>Variable cost</td> <td style="text-align: center;">150</td> <td style="text-align: center;">1,500</td> </tr> <tr> <td colspan="3">Variable cost per unit $1,500/150 = £10$</td> </tr> <tr> <td></td> <td style="text-align: center;">High £</td> <td style="text-align: center;">or Low £</td> </tr> <tr> <td>Total cost</td> <td style="text-align: center;">Episode 2 24,000</td> <td style="text-align: center;">Episode 1 22,500</td> </tr> <tr> <td>Variable costs</td> <td style="text-align: center;">$1,935 \times £10$ 19,350</td> <td style="text-align: center;">$1,785 \times £10$ 17,850</td> </tr> <tr> <td>Fixed costs</td> <td style="text-align: center;">4,650</td> <td style="text-align: center;">4,650</td> </tr> <tr> <td colspan="3">Forecast cost for final episode: $(2,000 \times £10 \text{ OF}) + £4,650 \text{ OF} = £24,650$</td> </tr> <tr> <td colspan="3">Forecast overrun: $£24,650 - £23,000 = £1,650$</td> </tr> </tbody> </table>		Units	Total cost £	High number	1,935	24,000	Low number	1,785	22,500	Variable cost	150	1,500	Variable cost per unit $1,500/150 = £10$				High £	or Low £	Total cost	Episode 2 24,000	Episode 1 22,500	Variable costs	$1,935 \times £10$ 19,350	$1,785 \times £10$ 17,850	Fixed costs	4,650	4,650	Forecast cost for final episode: $(2,000 \times £10 \text{ OF}) + £4,650 \text{ OF} = £24,650$			Forecast overrun: $£24,650 - £23,000 = £1,650$			2 1 1 2 1	S Analysis S Analysis S Analysis S Analysis S Analysis
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Examiner's comments It was particularly gratifying to note that most candidates scored full marks on this two-stage calculation using the high-low method.																																			
Total available marks Maximum full marks	7 7	7S																																	

Task 2.1 (d)	Marks	Nature
<p>Avoid Catering costs overrun for final episode: Reduce the number of cast and crew in the final episode</p> <p>– this will reduce variable costs so total catering costs will fall by £10 for each meal that is saved</p> <p>Approach a different catering supplier so both fixed and variable costs are reduced</p> <p>– this may not be feasible if the contract is for all episodes or if there is insufficient time to find a new supplier of catering services.</p> <p>Reduce quality of meals so variable costs are reduced</p> <p>Other action to increase profit on programme overall (not related to catering): Pass any cost overrun on to the client</p> <p>– this will only be possible if the contract with the client allows for such overruns to be passed on</p> <p>– as the overrun is only £1,650 and is small in relation to the budgeted cost of £23,000 (7.2%), this is unlikely</p> <p>Seek to make cost savings under other cost headings for the final episode</p> <p>Find ways to increase revenue on the programme by licensing or selling merchandise etc</p>	<p>Max 2 1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>Max 2 1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	<p>B Adding value</p> <p>S Analysis</p> <p>B Adding value</p> <p>S Planning & prioritisation</p> <p>B Proactivity</p> <p>B Proactivity</p> <p>B Professional scepticism</p> <p>S Planning & prioritisation</p> <p>B Adding value</p> <p>B Proactivity</p>
<p>Examiner's comments Unlike the rest of sub-task 2.1, many candidates struggled to score well on this requirement. This was because, having correctly explained one action that would reduce catering costs for the final episode, they went on to give a second one, instead of considering how to increase total profit (ie increase revenue or reduce cost) on the entire programme.</p>		
<p>Total available marks Maximum full marks</p>	<p>10 4</p>	<p>3S, 7B</p>

Task 2.2
Examiner's comments
The AI included information about data use by streaming services. It also described the procedures in place for RDP's use of external specialists in its productions to perform technical roles such as sound recording.
In the exam paper, candidates were given further information about these matters.
Candidates performed extremely well in this sub-task.

Task 2.2 (a)	Marks	Nature
Characteristics of Big Data:	Max 4	
Volume – yes, huge quantities of data are collected by streaming services	1	S Analysis
Velocity – yes, collecting data in real time suggests it is gathered instantaneously and at great speed	1	S Analysis
Variety – yes, data is coming from a number of sources and is therefore unstructured	1	S Analysis
Veracity – it is generally seen to be reliable but is unstructured so needs further analysis before it can have true veracity	1	S Analysis
Impact of data analytics:	Max 2	
With data analytics, data is assembled from unstructured big data using fields within the big data itself rather than using predetermined formats.	1	K Business awareness
This is then filtered, sorted and presented visually ...	1	K Business awareness
...so patterns and trends within the data are clearly identified	1	K Business awareness
...and predictions can be made to support specific decisions by managers in streaming services.	1	S Analysis
Example of type of decision by streaming services that the data analytics will support	1	B Adaptability
Examiner's comments		
Most candidates scored very well on this requirement, explaining how each of the four Vs of big data was exemplified in the data captured by streaming services, then going on to explain ways in which data analytics could be applied to big data to support their decisions.		
Total available marks	9	3K, 5S, 1B
Maximum full marks	6	

Task 2.2 (b)	Marks	Nature
Frustration	Max 2	
Yes, it appears that termination of the contract is caused by frustration	1	B Adding value
...because it is impossible	1	S Analysis
As the event on which the contract depended is not going ahead (non-occurrence of an event which is the sole purpose of the contract)	1	K Regulation & compliance
Redundancy	Max 2	

No, the contract with specialists cannot give rise to a redundancy claim	1	B Adding value
...because it is a contract for services not a contract of service/employment.	1	S Analysis
Redundancy is a right that only applies to contracts of service (employment)	1	K Regulation & compliance
Damages and expenses	Max 2	
RDP does not need to pay damages as they are not in breach of contract...	1	B Adding value
...But they may need to pay expenses incurred by the specialists in performing the contract before it was frustrated	1	S Analysis
...In accordance with the Law Reform (Frustrated Contracts) Act	1	K Regulation & compliance
...and the principle of quantum meruit	1	K Regulation & compliance
The specialists should repay advance fees to RDP (Law Reform (Frustrated Contracts) Act)	1	K Regulation & compliance
In future RDP should include force majeure clauses in their contracts	1	B Proactivity
Examiner's comments		
Most candidates produced well-explained and accurate answers to these legal points, which were based on the principle established in the AI that RDP's external specialists were contracted to supply services, so were not employees.		
Total available marks	12	5K, 3S,4B
Maximum full marks	6	

Task 2.3
Examiner's comments
There was extensive information in the AI about factors affecting the industry and RDP, including regulations, changes in audience preferences, technological developments favouring streaming services over broadcasters, and the need to raise additional finance in order to prevent the size of RDP and its scope of activities from shrinking. Additional information was included in the exam paper.
The average mark for this sub-task was only a marginal pass. This was disappointing as the areas of knowledge had been clearly flagged in the AI and are core topics in Business, Technology and Finance.

Task 2.3 (a)	Marks	Nature
1 mark for knowledge of finance, 1 for relevant explanation applied to RDP Note: give credit if candidates have made a different recommendation that is well justified		
Business angels	Max 2	
Business angels are experienced entrepreneurs and investors who tend to put money in to expand the operations of profitable startups and expect to have an input into decision-making.	1	K Business awareness
Business angels do not appear to be an appropriate source of finance for RDP because...	1 if justified (see below)	S Analysis

<p>...RDP is trying to maintain its current operations by expanding range and clientele rather than seeking to expand in size</p> <p>... RDP does not seem to have high potential for growth</p> <p>... RDP is well managed by the long-standing founders so does not require additional input from experienced business individuals</p> <p>... RDP is already well established, not a startup</p> <p>OR This group of business angels may be appropriate as they are already known to RDP, provided an appropriate agreement can be formed</p> <p>AIM</p> <p>AIM is a source of equity finance from the public for smaller, established and successful companies which do not wish to have the full regulation of the main market</p> <p>AIM may be an appropriate source of finance because...</p> <p>... RDP has substantial assets and a proven track record ... it will enhance RDP's reputation to have an AIM listing ... the use of the funds by RDP for new premises and new products/markets will appeal to AIM investor</p> <p>AIM may not be appropriate, because of</p> <p>...the costs/time involved ...the current uncertainty surrounding RDP's strategy</p> <p>...RDP not being a plc.</p> <p>Debentures</p> <p>Bank debentures are a loan from the bank at a fixed rate of interest, repayable at some point in the future.</p> <p>Additional debentures appear to be the most suitable source for RDP because ...</p> <p>...gearing is currently low (500/6644) ...it can offer security in the form of the new premises ...profits are relatively stable and can easily cover interest ...interest is tax deductible ... debentures are already in issue and some are due to be repaid ...ownership and power will remain in the hands of the existing four shareholders</p>	<p>1</p> <p>Max 2</p> <p>1</p> <p>1 if justified (see below)</p> <p>1 if justified (see below)</p> <p>Max 2</p> <p>1</p> <p>1 if justified (see below)</p>	<p>B Professional scepticism</p> <p>K Business awareness</p> <p>S Analysis</p> <p>B Professional scepticism</p> <p>K Business awareness</p> <p>S Analysis</p>
<p>Examiner's comments</p> <p>While most candidates demonstrated some basic knowledge of the three forms of finance required, a significant number failed to explain adequately whether each one would be appropriate to RDP's particular current circumstances.</p>		
<p>Total available marks</p> <p>Maximum full marks</p>	<p>8</p> <p>6</p>	<p>3K, 3S,2B</p>

Task 2.3 (b)	Marks	Nature
A mission statement sets out RDP's basic function (purpose) in society expressed in terms of how it satisfies its stakeholders.	1	K Business awareness
It sets the overall direction for the business	1	K Business awareness
The mission statement will contain the purpose of RDP, its strategy (what it does and how), its values, policies and standards of behaviour.	1	K Business awareness
Benefits: The process of preparing it will entail reviewing RDP's stakeholders and identifying their objectives. This will help inform the strategic review that the directors are undertaking and allow them to establish goals.	1	S Team working & collaboration
Benefits: Potential clients (esp streaming services) and investors as potential stakeholders will be given a better understanding by the mission statement of how RDP meets its objectives	1	B Adaptability
Benefits: the mission statement will help RDP employees to work together to raise finance and secure more commissions	1	S Team working & collaboration
Examiner's comments This requirement was well-answered on the whole. Weaker candidates failed to distinguish between the content of a mission statement and its purpose/benefits.		
Total available marks	6	3K, 2S,1B
Maximum full marks	4	

Task 2.3 (c)	Marks	Nature
Weaknesses (1 mark per well explained point i.e X means that...)	Max 2	
Ofcom fine is not yet quantified so profit in the financial statements may need to be adjusted downwards and there may be a cash flow problem in the near future	1	B Adaptability
Market value of premises has fallen which may affect the ability to generate cash flow by disposing of the premises	1	B Adaptability
Poor internal controls over risks eg no insurance on equipment so company remains exposed	1	S Using systems & processes
Reliant on a small number of programmes at any one time/limited range of programmes which may be subject to cancellation/change of fashion, so profit-earning potential is reduced	1	B Professional scepticism
Weak forecasting on The Mobile Kitchen may indicate that production accounting more widely in RDP is not as strong as it could be, so further programmes may be less profitable than expected	1	B Professional scepticism
Failure to get the Work Gym commission indicates strongly that the makeup of the RDP team lacks credibility/management are poorly informed re cancellation of Cheer Me On, so there may be future surprise failures	1	B Professional scepticism
Has a limited market (UK broadcasters) so can't change course quickly if these clients go elsewhere	1	B Adaptability

Reliant on the work of external specialists who are in short supply, so may not be able to staff future productions which will reduce activities and profits	1	S Analysis
Threats (1 mark per well explained point i.e X means that...)	Max 2	
Younger/newer/more innovative indies are being chosen for commissions over RDP, which may restrict RDP's activities and profits going forward	1	B Adaptability
New decision-making styles in clients mean that RDP is less able to obtain commissions, so activity and profits will fall	1	B Adaptability
Swerve Co's inside knowledge of RDP and its projects may undermine its reputation, so clients may move elsewhere for commissions	1	B Professional scepticism
Specialists may choose to sue RDP over cancellation of Cheer Me On, which may affect cash flow and the ability to partner with the best specialists in future	1	B Proactivity
Broadcasters are expecting lower prices, so if RDP is less competitive it may miss out on commissions	1	S Analysis
The amount of the Ofcom fine may be large, affecting cash flow and reputation	1	B Adaptability
Reputational damage following Ofcom fine may affect future commissions	1	B Professional scepticism
Examiner's comments		
Many candidates scored poorly on this requirement because they simply identified an issue as a weakness or a threat without explaining why the issue was a weakness or a threat for RDP at that point in time. Some candidates misread the requirement and identified strengths and weaknesses, or opportunities and threats, so automatically could not score more than half marks.		
Total available marks	15	3S,12B
Maximum full marks	4	