

Marking guide for Role Simulation Examination September 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.

September 2020 marking grid

	Marks identified in marks scheme				Maximum full marks
	K	S	B	Total	
Task 1					
1.1a	0	6	1	7	6
1.1b	1	14	0	15	14
1.2a	7	1	1	9	4
1.2b	2	2	0	4	4
1.2c	2	5	1	8	6
1.3a	1	0	0	1	1
1.3b	2	3	0	5	2
1.3c	5	7	2	14	4
1.3d	0	2	6	8	4
1.4a	8	0	0	8	4
1.4b	6	7	7	20	8
1.4c	1	0	0	1	1
1.4d	1	1	1	3	2
	36	48	19	103	60
Task 2					
2.1a	2	5	0	7	7
2.1b	0	1	0	1	1
2.1c	0	2	0	2	2
2.1d	0	4	3	7	4
2.2a	0	7	0	7	7
2.2b	2	6	4	12	4
2.3a	1	0	0	1	1
2.3b	5	0	0	5	3
2.3c	0	1	0	1	1
2.3d	0	10	12	22	6
2.3e	0	2	3	5	4
	10	38	22	70	40
Overall total	46	86	41	173	100

The marking information set out below is that used to mark the requirements in the September 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
Examiner's comments
Candidates were presented with draft financial statements for the most recent period plus some additional information about dividends and non-current assets.
Overall this sub-task was well-answered.

Task 1.1 (a)	Marks	Nature
Inventory days 2020 $6,754/27,118 \times 365 = 91$ days	1	S Analysis
Trade receivables days 2020 $8,684/33,217 \times 365 = 95$ days	1	S Analysis
Quick ratio 2020 $8,684/9,952 = 0.9$	1	S Analysis
2019: Inventory days 76 days Trade receivables days 87 days Quick ratio 1.0	1 for stating all three 2019 comparators	S Quality & accurate info
Covenant: Inventory days 80 days max Trade receivables days 90 days max Quick ratio 1.0	1 for stating all three covenant comparators	S Quality & accurate info
All three have worsened since 2019	1	S Analysis
All three have breached the covenant	1	B Adding value
Examiner's comments		
Candidates generally answered this requirement well and showed an ability to calculate the ratios, make sensible comparisons and reach a conclusion.		
Total available marks	7	6S, 1B
Maximum full marks	6	

Task 1.1 (b)	Marks	Nature	
PackUp Ltd – Statement of cash flows for 12 months ended 31 August 2020			
Cash flows from operating activities			
Profit before tax	1,858	1	S Quality & accurate info
Finance costs	190		
Loss on sale of property, plant and equipment (1,000 – 850 – 140)	10	1	S Analysis
Depreciation and amortisation charges	1,825	1	S Quality & accurate info
Increase in trade payables	521	1	S Analysis
Increase in inventories	(1,195)	1	S Analysis
Increase in trade receivables	(554)	1	S Analysis
Cash generated from operations	2,655		
Interest paid	(190)	1 for both	S Quality & accurate info
Tax paid (746+372-388)	(730)	1	S Quality & accurate info
Net cash from operating activities	1,735		
Cash flows from investing activities			
Purchase of property, plant and equipment	(3,150)	1	S Quality & accurate info
Proceeds from sale of property, plant and equipment	140	1	S Quality & accurate info
Net cash used in investing activities	(3,010)		
Cash flows from financing activities			
Decrease in non-current borrowings	(200)	1	S Quality & accurate info
Dividends paid	(500)	1	S Quality & accurate info
Net cash used in financing activities	(700)		
Net decrease in cash and cash equivalents	(1,975)		
Cash and cash equivalents at 1 September 2019	1,408		
Cash and cash equivalents at 31 August 2020	(567)	1 CF	S Quality & accurate info
Headings/totals		1	K Technical
Presentation		1	S Quality & accurate info
Examiner's comments			
Candidates generally answered this requirement well though the weaker candidates made some straightforward calculation errors in preparing the statement of cash flows.			
Total available marks	15		1K, 14S
Maximum full marks	14		

Task 1.2
Examiner's comments
In this task candidates were required to show their knowledge of the going concern assumption in relation to financial reporting. They were also asked for the double entry for two late adjustments that affected draft profit, then to calculate margins and compare them with forecast and prior year.
Overall this sub-task was answered well.

Task 1.2 (a)	Marks	Nature
Quality of email communication	1 Max 1	S Communication
<i>Going concern assumption:</i> The going concern assumption means that, when preparing financial statements, the company is viewed as being able to continue in operation in approximately the same manner for the foreseeable future ...usually at least the next 12 months	1	K Technical
It is assumed that the entity has neither the intention nor the necessity of liquidation or ceasing to trade.	1 Max 2	K Technical
<i>If PackUp was deemed to no longer be a going concern:</i> the financial statements would be prepared on the 'break up' basis of accounting, so its assets would be valued at their 'break up' value/the amount they would sell for (their net realisable value) if they were sold off individually in a forced sale and the business were broken up.	1	K Technical
	1	K Technical
All assets will be deemed to be for sale and all liabilities will be treated as becoming due within 12 months of the date of the statement of financial position, so financial statements prepared on a break-up basis will contain neither non-current assets nor non-current liabilities.	1	K Technical
The financial statements must state that they are not prepared on the going concern basis.	1	K Technical
There may be question marks over PackUp's going concern status because of eg the fast- food client's liquidation and Pack-Up's falling sales	1 Max 2	B Professional scepticism
Examiner's comments		
Candidates scored very well on this sub-task, producing clear email communications which stated what is meant by a business continuing to operate as a going concern. Most also indicated the need for the break-up basis to be used when preparing financial statements if going concern is not appropriate.		
Total available marks	9	7K, 1S, 1B
Maximum full marks	4	

Task 1.2(b)	Marks	Nature
Dr Administrative expenses £255,000 Cr Trade receivables (300,000 x 0.85) £255,000	1 mark for calc, 1 for dr/cr	S Analysis K Technical
Dr Trade receivables OR payables (120,000x 0.6) £72,000 Cr Cost of sales/purchases £72,000	1 mark for calc, 1 for dr/cr	S Analysis K Technical
Examiner's comments		
The answers to this double entry sub-task were surprisingly weak, with the average mark being a fail. A minority of candidates struggled with the calculations of the debt write-off and the supplier refund, for example some weaker candidates calculated the write-off as 15% (the amount the company will receive) rather than 85% (the amount it will not receive). The real weakness though was in the double entry for the refund, with many candidates wanting to debit the bank account even though it was clear in the exam paper that the supplier had only agreed to make the refund: it was not stated that the refund had been received.		
Total available marks	4	2K/2S
Maximum full marks	4	

Task 1.2(c)	Marks	Nature
Gross profit margin: (6,099,000 + £72,000 (OF) / 33,217,000 = 18.6%	1 mark for GP OF, 1 mark for margin calc	Max 2 S Quality & accurate info K Technical
Operating profit margin: (2,048,000 + 72,000 OF – 255,000 (OF)/33,217,000 = 5.6%	1 mark for operating profit OF, 1 mark for margin calc	Max 2 S Quality & accurate info K Technical
Compare to forecast	1	Max 2 S Analysis
Compare to 2019	1	S Analysis
Figures to back up comparison	1	S Analysis
As well as liquidity problems, the company is finding margins are being squeezed.	1	B Adding value
Examiner's comments		
A third of the candidates scored full marks on this requirement, producing accurate calculations for gross and operating profit, adjusted for the double entry they identified in Task 1.2(b), calculating the required margins and making sensible comparisons with the forecast and the previous period. Weaker candidates failed to make any adjustment to profit for the write-off or the refund.		
Total available marks	8	2K, 5S, 1B
Maximum full marks	6	

Task 1.3
<p>Examiner's comments</p> <p>Candidates were told in the AI that PackUp's finance director was strongly resisting any increase in the external audit fee for the current year, and also that another audit firm had approached PackUp offering discounted rates. In the exam paper they were told that the CEO herself had met the external audit firm's partner and had forcefully presented a number of points in support of her argument that the fee should actually fall rather than rise. She also implied that if this did not happen, she would be replacing them as auditor. The candidates were required to assess both the legal and the ethical basis for these arguments and the CEO's approach.</p> <p>Performance on the different requirements of this law- and ethics-focussed sub-task was poor.</p>

Task 1.3(a)	Marks	Nature
31 May 2021 (s442 CA)	1	K Technical
<p>Examiner's comments</p> <p>Only a small minority of candidates incorrectly stated the date for this OT.</p>		
<p>Total available marks</p> <p>Maximum full marks</p>	<p>1</p> <p>1</p>	1K

Task 1.3(b)	Marks	Nature
Kelly is incorrect	1	S Analysis
<p><i>Reasonable explanation of the law:</i></p> <p>Auditors are automatically re-appointed in a private company like PackUp unless they are expressly removed (s487 CA)</p>	1	K Regulation & compliance
PackUp can appoint a new auditor but needs to go through the formal removal process for Strinder under CA	1	S Analysis
...which will entail the new appointee as auditor communicating with Strinder	1	K Regulation & compliance
Strinder is currently still the external auditor	1	S Analysis
<p>Examiner's comments</p> <p>This requirement had the lowest average mark on the paper. The weakest candidates scored zero marks, either producing no answer or erroneously stating that, since the firm had not been formally reappointed by the board or the shareholders, it was no longer the external auditor so the CEO was correct in her interpretation of the legal position.</p>		
<p>Total available marks</p> <p>Maximum full marks</p>	<p>5</p> <p>2</p>	2K, 3S

Task 1.3(c)	Marks	Nature
<p>Model answer: Strinder is facing a serious intimidation threat from Kelly in trying to force Frank to agree to reduce the fee, despite Frank needing to perform additional audit procedures, or lose both the audit and the environmental assurance report.</p> <p>Strinder also faces a self-interest threat because PackUp's business is a high percentage of its fee income. It should not have a client which represents more than 15% of revenue.</p> <p>Should the audit pass to HC it is not clear whether Kelly has any intention of reimbursing Strinder for the interim audit or attendance at the inventory count.</p> <p>These issues threaten Strinder's fundamental principles of:</p> <ul style="list-style-type: none"> • professional competence and due care - because they may not perform all the work they need to • objectivity and, in relation to the external audit, independence because they may become biased in favour of an unmoderated report • professional behaviour - because their action would bring the profession into disrepute 	<p>1 1 1</p> <p>1 1 1</p> <p>1 1</p> <p>1 1</p> <p>1 1</p>	<p>K Ethics & standards S Analysis S Analysis</p> <p>K Ethics & standards S Analysis S Analysis</p> <p>B Ethics & integrity B Ethics & integrity</p> <p>K Ethics & standards S Analysis</p> <p>K Ethics & standards S Analysis K Ethics & standards S Analysis</p>
<p>1 mark for named threats or principles (max 2), 1 mark for explanation of how the threat arises/ the principle is threatened (max 2)</p>		
<p>Examiner's comments</p> <p>Most candidates scored full marks on this question, identifying and explaining relevant threats to appropriate principles using the language of professional ethics.</p>		
<p>Total available marks Maximum full marks</p>	<p>14 4</p>	<p>5K/7S/2B</p>

Task 1.3(d)	Marks	Nature
Kelly is CEO and therefore an officer of PackUp so she must comply with PackUp's corporate code	1	S Analysis
She is not an ACA so the professional code does not apply	1	S Analysis
Kelly has lied/not been honest with Frank - by saying that she had approached HC as it was the other way round.	1	B Ethics & integrity
It is not fair of Kelly to exploit Strinder's position of weakness in relation to its dependence on PackUp	1	B Ethics & integrity
It is not open of Kelly to use the issue of the assurance report as leverage to lower the audit fee.	1	B Ethics & integrity
Kelly should assist the external auditor, not abuse them	1	B Ethics & integrity
Kelly's behaviour suggests she has questionable personal ethics.	1	B Ethics & integrity
However, it could be argued that Kelly's approach is just hard negotiating and trying to get a discount for buying extra services	1	B Professional scepticism
Examiner's comments		
This requirement covered general business ethics in the context of compliance with PackUp's corporate code of ethics. The code was presented in the AI and stated that PackUp personnel should show 'fairness, honesty and openness' in relation to all stakeholders, and specifically should assist the external auditor. Answers were on the whole very disappointing. Although a small minority of candidates scored full marks, most struggled to analyse whether the CEO's behaviour in relation to the external auditor met these criteria. Some sought to apply the ICAEW code to the CEO, which was not relevant as she was not stated to be a member of ICAEW.		
Total available marks	8	2S/6B
Maximum full marks	4	

Task 1.4
Examiner's comments
<p>Candidates were given information which clarified that the going concern basis was still appropriate for the preparation of PackUp's financial statements, and which stated that the company required an environmental assurance report from the external audit firm (this had been flagged in the AI). In addition, they were told about a number of points raised by the external auditors in relation to the performance of the year-end inventory count, which the firm had attended.</p> <p>Disappointingly, the overall average mark for this assurance-related sub-task was a marginal fail.</p>

Task 1.4(a)	Marks	Nature
<p>Directors are responsible for preparing the financial statements ...and their fair presentation under IFRS ...and for deciding the appropriate basis eg going concern (GC) for their preparation.</p>	<p>1 1 1</p>	<p>K Technical K Technical K Technical</p>
<p>They must state in the financial statements that they have been prepared using GC and that they have taken steps to ensure this basis is appropriate</p>	<p>1</p>	<p>K Technical</p>
<p>The external auditor is responsible for gathering sufficient reliable evidence about whether the GC basis is appropriate ...and to enable them to express an opinion on whether the financial statements give a true and fair view/ are free from material misstatement.</p>	<p>1 1</p>	<p>K Systems & processes K Systems & processes</p>
<p>In the auditor's report there is a reference to the auditor's conclusion as to whether the directors' choice of the going concern basis is appropriate and whether the directors have made appropriate disclosures about any material uncertainties that may cast doubt on the company's ability to continue as a going concern.</p>	<p>1 1</p>	<p>K Systems & processes K Systems & processes</p>
Examiner's comments		
<p>Most candidates produced good answers to this requirement, with about half scoring full marks. A small minority however focused only on the responsibilities of the auditors, scoring very low marks or effectively produced no answer.</p>		
<p>Total available marks Maximum full marks</p>	<p>8 4</p>	<p>8K</p>

Task 1.4(b)	Marks	Nature
<p>Three of: existence, valuation, cutoff, completeness</p> <p>The key assertions that Strinder Co must ascertain are:</p> <ul style="list-style-type: none"> • that inventory included in the financial statements exists (existence) • that all existing inventory is included in the financial statements (completeness) at the appropriate valuation (valuation) • that the inventory belonging to FastMeals plc is not included in the financial statements (cutoff) • that the flood-damaged inventory is not included at full cost in the financial statements (valuation) • that the soup cartons are included at the appropriate value in the financial statements (valuation) <p>Substantive procedures (2 different assertions to be tested):</p> <ul style="list-style-type: none"> • Trace a sample of items on the final inventory summary back to the inventory count sheets – objective is to ensure all inventory included in the financial statements exists. • Trace a sample of items from the inventory count sheets to the final inventory summary– objective is to ensure inventory included in the financial statements is complete. • Select a sample of goods received documentation before the year-end and ensure the goods received are included in year-end inventory – objective is to ensure cut-off is correct. • Select a sample of goods received documentation after the year-end and ensure the goods received are not included in year-end inventory – objective is to ensure cut-off is correct. • Check that the calculations of valuation on the final inventory sheets have been made correctly, on a sample basis ie lower of cost and NRV using FIFO) • Trace the cost of a raw materials sample to purchase invoices to ensure cost has been recorded correctly and on the right basis – valuation • Trace valuation by item to post year-end sales invoices re NRV 	<p style="text-align: center;">1 Max 4</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1 for explanation 1 for linked assertion</p> <p style="text-align: center;">Max 4</p>	<p>K Systems & processes</p> <p>K Systems & processes</p> <p>K Systems & processes</p> <p>K Systems & processes</p> <p>K Systems & processes</p> <p>K Systems & processes</p> <p>B Adaptability</p> <p>S Using systems</p>
<p>Examiner's comments</p> <p>No candidate scored full marks in this requirement, and the average mark was a fail. While most successfully described three assertions that should be tested in relation to closing inventory, many struggled to identify substantive procedures for testing these assertions other than procedures that take place at the inventory count itself, which they were specifically instructed not to cover. Several candidates omitted substantive procedures entirely, thereby limiting themselves to a maximum of half marks.</p>		
<p>Total available marks Maximum full marks</p>	<p style="text-align: center;">20 8</p>	<p style="text-align: center;">6K, 7S, 7B</p>

Task 1.4(c)	Marks	Nature
B Limited assurance, expressed negatively	1	K Technical
Examiner's comments		
Only a small minority of candidates incorrectly identified the type of assurance for this OT.		
Total available marks	1	1K
Maximum full marks	1	

Task 1.4(d)	Marks	Nature
The environmental assurance report will give a degree of independent, professional verification	1	K Regulation & compliance
...to give reassurance about the information PackUp gives its clients about how its production processes impact on the natural environment	1	S Analysis
This will allow PackUp to generate additional sales/acquire new clients	1	B Adding value
Examiner's comments		
The majority of candidates scored full marks on this question, whereas a small minority produced no meaningful answer. Where candidates scored only one of the two marks available, their responses were extremely limited, restricting themselves to stating that customers wanted the assurance report, without explaining what information it presented to customers and why the report's independent, professional verification of the information was significant.		
Total available marks	3	1K, 1S, 1B
Maximum full marks	2	

Task 2.1
<p>Examiner's comments</p> <p>The AI included information on PackUp's product costing, stating that it used full-cost absorption costing with a labour hour rate, and used full cost-plus pricing for its products. The AI informed candidates that a machine hour rate would need to be calculated as the company had become more mechanised. To demonstrate how this would affect costing and pricing, the requirements asked for the revised cost of a batch of sandwich cartons to be calculated and a comparison made.</p> <p>Disappointingly, the overall average mark for this management information sub-task was a bad fail. The candidates appeared to lack both knowledge of and confidence in product costing, especially in relation to overhead absorption techniques despite this having been clearly flagged in the AI.</p>

Task 2.1 (a)	Marks	Nature
Materials $(20 \times \text{£}250) + (12 \times \text{£}240)$ $\text{£}7,880$ OR: $\text{£}250 + (12/25 \times \text{£}240)$ $\text{£}365.20$ (credit awarded for either interpretation of the data)	1 FIFO not AVCO 1 calcs	K Business awareness S Analysis
Labour 21 hours * 4 people = 84 hours @£12.50/hour $\text{£}1,050$	1 calc	S Analysis
Overtime 8 hours * 2 people= 16 hours * £25/hour $\text{£}400$	1 calc	S Analysis
Overheads 100 hours * £35/hr <u>$\text{£}3,500$</u>	1 hours 1 calc	K Business awareness S Analysis
Full absorption cost $\text{£}12,830$ OR <u>$\text{£}5,315.20$</u>	1 total	S Quality & accurate info
<p>Examiner's comments</p> <p>Performance on this requirement was generally very poor though a small minority of candidates produced a completely correct answer. The most common mistakes here were to use the LIFO rather than the FIFO basis for materials, and to omit overheads from the batch cost. A significant minority of candidates however appeared to have little or no idea what either absorption costing or a batch cost was, despite the methods being flagged in the AI.</p>		
Total available marks Maximum full marks	7 7	2K/5S

Task 2.1(b)	Marks	Nature
Machine hours basis $2940000/(21000)$ $\text{£}140$ per machine OR $84000/21000 * \text{£}35$ hour	1	S Analysis
<p>Examiner's comments</p> <p>Only a small minority of candidates failed to correctly calculate the machine hour overhead absorption rate for this OT.</p>		
Total available marks Maximum full marks	1 1	1S

Task 2.1(c)	Marks	Nature
Overheads using machine hour rate: 29 x £140 OF 4060	1	S Analysis
Per 2.1a labour hour rate (OF) (3500)		
Difference (OF) <u>560</u>	1	S Quality & accurate info
Examiner's comments		
Performance on this requirement was generally very poor. While a small minority of candidates produced completely correct answers, most candidates effectively made no response, probably because they had failed to make any significant attempt at 2.1(a).		
Total available marks	2	2S
Maximum full marks	2	

Task 2.1(d)	Marks	Nature
PackUp has been using the labour hour rate to absorb overheads because its activity to date was driven by labour hours	1	S Analysis
If machine hours are now driving costs, then some products will have too many overheads allocated and some will have too little	1	S Analysis
If pricing is based on a cost that does not reflect a fair share of overheads, items will be under-priced, affecting profit.	1	B Adding value
£35 per labour hour may not be a true reflection because hours may have been underpredicted, and volumes and costs may have been poorly estimated	1	B Professional scepticism
Refer to calculations	1	S Quality & accurate info
Due to automation it is the number of machine hours rather than the number of people operating the machine that better reflects the cost of production	1	S Analysis
Activity-based costing may be more accurate than absorption of overheads on the basis of hours.	1	B Proactivity
Examiner's comments		
A small minority of candidates produced a completely correct answer but again only a few others scored any marks at all. Again, the reason appears to be the fact that weaker candidates struggled so significantly with 2.1(a).		
Total available marks	7	4S, 3B
Maximum full marks	4	

Task 2.2
Examiner's comments
<p>The AI included the information that new methods of working capital management were being considered to improve the company's cashflow. In an appendix it also set out an analysis of recent cash collections for a particular product line, and the associated gross profit for that line given the level of sales and irrecoverable debts.</p> <p>In the exam paper, candidates were given information about how offering a 4% settlement discount for settling invoices within 30 days would affect the product line's revenue, cash collections and level of irrecoverable debts. They were also told that the finance director was considering approaching a debt factor, a move which had been flagged in the AI.</p> <p>The average mark for this management information sub-task was a marginal fail, though full marks for each requirement were achieved by a small minority of candidates.</p>

Task 2.2 (a)	Marks	Nature
<i>Profit</i>		
Sales October <u>300,000</u>	1	S Quality & accurate info
Gross profit on sales £300k OF x 0.3 90,000	1	S Analysis
Irrecoverable debts £300k OF x 0.03 (9,000)	1	S Analysis
Discount OR GP (OF) x 0.1		
Profit from operations before £300k OF x 0.2 x 0.04 <u>(2,400)</u>	1	S Analysis
share of other overheads <u>78,600</u>		
<i>Cash collections</i>		
November 0.2 x 300k OF x 0.96 57,600	1	S Analysis
December 0.3 x 300k OF 90,000	1	S Analysis
January 0.47 x 300k OF 141,000	1	S Analysis
Examiner's comments		
<p>One problem in answering this requirement was that most candidates failed to recognise the profit implication of 20% of customers taking advantage of the offered settlement discount when paying in the first month. Some also failed to include the uplift in sales revenue that was anticipated as a result of offering the discount, while several anticipated that every customer would take the discount, whether they paid early or not.</p>		
Total available marks	7	7S
Maximum full marks	7	

Task 2.2(b)	Marks	Nature
<p><i>Settlement discount policy:</i> Cost of discount (eg Profit from operations decreases by £1,050 ((300000-295000) x (0.3-0.03))-2400, or compound interest calc))</p>	1	S Analysis
<p>But will improve PackUp's immediate cash operating cycle because some cash is received 30 days sooner</p>	1	S Analysis
<p>However this is a one-off improvement only</p>	1	S Analysis
<p>And costly to administer/some customers take it when not entitled</p>	1	B Professional scepticism
<p><i>Debt factor:</i> Gives Packup a loan of up to 80% of the amount of the invoices, so more cash is received much sooner.</p>	1	S Analysis
<p>The percentage of the invoices received sooner can be much higher than the 20% anticipated by PackUp using a settlement discount</p>	1	K Business awareness
<p>When the customers pay PackUp for the invoices, PackUp repays the loan to the debt factor together with interest and fees, which are often high, reducing profit.</p>	1	S Analysis
<p>PackUp would not see the increase in profit from additional sales. But there would be no risk of irrecoverable debts (assuming non- recourse)</p>	1	K Business awareness
<p>Both current assets and current liabilities would increase by the amount of the loan which wouldn't help with the quick ratio.</p>	1	B Adding value
<p>It may be off putting to customers to see debts being factored</p>	1	B Professional scepticism
<p>Difficult to state which is better – may depend on whether cashflow or profit is more important?</p>	1	B Proactivity
<p>Examiner's comments</p>		
<p>Most candidates scored well on this requirement, showing knowledge of the nature of debt factoring from the BTF syllabus and applying it effectively to PackUp's situation in terms of balancing the benefits of early receipt against the costs involved. The average for the question was brought down by a small minority of candidates who produced no answer.</p>		
<p>Total available marks Maximum full marks</p>	12 4	2K, 6S, 4B

Task 2.3
Examiner's comments
<p>There was extensive information in the AI about factors affecting the industry and PackUp, including environmental regulations and awareness, and problems with a new re-usable product which had led to injuries to consumers and a query about the protection of its intellectual property rights. More information was included in the exam paper, including the effect of PackUp products' price elasticity and increasing environmental consciousness among the public.</p> <p>The average mark for this management information sub-task was a marginal pass. Except for the final requirement, full marks for each requirement were achieved by several candidates.</p>

Task 2.3(a)	Marks	Nature
20 years	1	K Regulation & compliance
Examiner's comments		
Surprisingly, about a third of candidates appeared to be guessing and failed to answer this straightforward OT correctly, despite the matter of patent protection being flagged clearly in the AI.		
Total available marks Maximum full marks	1 1	1K

Task 2.3(b)	Marks	Nature
A tort consists of an act or omission by the defendant which is responsible for causing injury or damage to the claimant.	1	K Regulation & compliance
To succeed in an action for negligence, the burden of proof is on the claimant to prove, on the balance of probabilities, that:	1	K Regulation & compliance
- The defendant owed a duty of care to the claimant to avoid causing injury, damage or Loss – 'neighbour' principle	1	K Regulation & compliance
- There was a breach of that duty by the defendant (res ipsa loquitur)	1	K Regulation & compliance
- In consequence the claimant suffered injury, damage or loss ('but for' principles)	1	K Regulation & compliance
Examiner's comments		
This requirement on the three parts of negligence was generally very well answered, with only the weakest candidates failing to score full marks.		
Total available marks Maximum full marks	5 3	5K

Task 2.3(c)	Marks	Nature
C Product development	1	S Analysis
Examiner's comments		
Almost all candidates answered this OT requirement on the Ansoff matrix correctly.		
Total available marks Maximum full marks	1 1	1S

Task 2.3(d)	Marks	Nature
<i>Economic – from AI:</i> Exchange rate fluctuations mean PackUp's profit levels are unpredictable, so it is difficult to plan effectively	1	S Analysis
Fast food and hence its packaging is a fragmented industry so PackUp's market share is always open to challenge, which may reduce profits	1	S Analysis
There are low barriers to entry so PackUp's market share is always open to challenge, which may reduce profits	1	S Analysis
PackUp must purchase PWRNs, which reduce profits	1	S Analysis
PackUp's volumes are dependent on consumers' purchase of fast food, so factors which affect the fast food industry's volumes also affect PackUp's	1	S Analysis
<i>Economic – from exam paper/the real environment:</i> The fact that demand for PackUp's products is very price elastic means that scope for raising prices in the light of cost rises is limited	1	B Adaptability
Some of PackUp's food retailer clients have ceased trading so there are reduced volumes and increased risk of irrecoverable debts for PackUp	1	B Adaptability
Many fast food retailers have seen volumes rise because of COVID while many have gone out of business, so volumes are subject to big fluctuations which make planning difficult	1	B Proactivity
<i>Legal – from AI:</i> Regulations on safe food packaging and packaging disposal must be complied with, which is costly so may reduce profits	1	S Analysis
PackUp's Bulgarian supplier is not compliant which means that PackUp may be affected by regulatory fines, reducing its profit	1	S Analysis
<i>Legal – from exam paper/the real environment:</i> PackUp is currently being sued by a consumer re the Warm&Safe product – if they lose, compensation must be paid which will reduce profits	1	B Adaptability
PackUp may receive further claims from consumers for faults in the Warm&Safe product, which will reduce profits and damage reputation	1	B Adaptability
Consumers are increasingly litigious, so PackUp must invest in ensuring that its products are safe and compliant, reducing profits	1	B Adaptability
PackUp must pay to protect its patents from competitors, reducing profits	1	B Adaptability
Government regulations on COVID compliance by businesses such as PackUp are costly to monitor and comply with	1	B Proactivity
<i>Environmental – from AI:</i> Demand from fast food retailers for re-usable/re-cyclable packaging is increasing, so sales of PackUp's main product lines may soon become non-existent, reducing profits	1	S Analysis
New environmental regulations may require single use plastics in order to limit landfill, so sales of PackUp's main product lines may soon become non-existent, reducing profits	1	S Analysis
PackUp's Bulgarian and other European suppliers may be damaging the environment which will damage PackUp's reputation and may reduce volumes further	1	S Analysis

<p><i>Environmental – from exam paper/the real environment:</i></p> <p>The effects of climate change, and the role of single use packaging in it, are increasingly seen and acknowledged, so PackUp's standard product lines are regarded as damaging which will reduce volumes as substitutes are found (eg wooden single use cutlery)</p>	1	B Adaptability
<p>The public are increasingly against eating on public transport, or indeed in public due to COVID, which limits demand for fast food to take away and may reduce PackUp's volumes</p>	1	B Proactivity
<p>The public are protesting against wasteful packaging, so retailers will increasingly restrict how much they use/find alternatives to PackUp's products</p>	1	B Adaptability
<p>Public opinion moving against single use plastics etc mean the market for PackUp's newer products eg PackWild and Warm&Safe will expand, raising the opportunity for profits</p>	1	B Adaptability
<p><i>Other relevant explained points also given credit</i></p> <p>For each heading, 1 mark per explained point, max 2. Max 2 marks for points only mentioned in the AI</p>		
<p>Examiner's comments</p> <p>Several candidates produced a high quality partial PESTEL analysis, making good use of the new information in the exam paper. Credit was given for other relevant data such as the effect of the COVID-19 pandemic. Weak answers, however, brought the average score to a marginal fail. Weaknesses related to an over-reliance on pre-prepared answers despite the requirement asking for four out of the six factors to derive from the exam paper, and failure to explain relevant factors as opposed to just listing them.</p>		
<p>Total available marks</p>	22	10S, 12B
<p>Maximum full marks</p>	6	

Task 2.3(e)	Marks	Nature
<p>Cyber risk is the risk of financial loss, disruption or damage to the reputation of an organisation from failure of its information technology systems</p>	1 Max 2	K Business awareness
<p>...due to accidents, breach of security, cyber-attacks or poor systems integrity</p>	1	K Business awareness
<p><i>Types of cyber-attack:</i></p> <p>Hacking, because the internet of things element means that the machines are online and can therefore be hacked into</p>	1 Max 2	B Adaptability
<p>Ransomware, because at any point the company is dependent on its computer systems so could be held to ransom by malware which closes them down</p>	1	B Adaptability
<p>DDoS, because the company's systems can be deliberately overwhelmed so it cannot use them</p>	1	B Adaptability
<p>Examiner's comments</p> <p>This requirement was well-answered, with almost all candidates scoring three out of the four marks available. The fourth mark was usually missed because the definition of cyber risk used by the candidates did not extend to explaining what factors pose the risk (accidents, breach of security, cyber-attacks or poor systems integrity).</p>		
<p>Total available marks</p>	5	2K, 3B
<p>Maximum full marks</p>	4	