

TOPCIMA – May 2006 - Post Exam Guidance report

1.0 General Overview

The purpose of this report is to give advice to candidates who were not successful at this sitting and to explain what the examiner was, and was not, looking to elicit in the answers.

This post exam guidance report will be read by two categories of candidate – those who are researching TOPCIMA before they sit their first TOPCIMA exam, and secondly by those who were unsuccessful in their TOPCIMA exam. This report aims to give general guidance on how candidates should prepare for this crucial final test, and to explain what the examiner is looking for. As always in CIMA exams, it is quality, rather than quantity, that is important.

In the May 2006 exam, it must be stated that the format of candidates' reports was the best to date, and almost all candidates prioritised what they considered were the top issues facing Zubinos. However, in the May 2006 exam what distinguished many candidates between pass and fail, was not the report format, but rather the content (or lack of it) between the opening section on prioritised issues and the recommendations. It is the body of the report in which you should analyse and evaluate each of the issues that has been identified in a reasonable degree of depth. This depth is absent from so many candidates' reports, with many simply repeating data from the unseen material. This exam is testing your higher level skills, and these are the skills that you need to develop and improve BEFORE you sit TOPCIMA. This can best be done by working through past TOPCIMA cases.

TOPCIMA is not a difficult exam to pass if you are well prepared and part of this Post Exam Guidance report will remind candidates on HOW you can prepare better before your next sitting of the TOPCIMA exam.

The May 2006 TOPCIMA exam was sat by almost 2,300 candidates and in many ways the preparation of the reports was the best ever since TOPCIMA was introduced. It is disappointing that the pass rate was not higher, but many candidates failed marginally, as the content of the report was weak, or the recommendations were not justified and the commercial judgement displayed in reaching the recommendations continues to be poor. Furthermore there continues to be a lack of Technical knowledge displayed and applied to the case material, with many simply preparing a SWOT and nothing else, and many overseas candidates not even preparing a SWOT analysis.

The industry setting for this TOPCIMA case was the highly competitive coffee shops industry, which has seen a number of companies expand rapidly in the UK over the last decade. The company in the case was a small, new entrant called Zubinos, which had only 18 coffee shops open at the end of 2005. As the TOPCIMA exam is taken on its own, with the pre-seen material available over 8 weeks before the exam, it was envisaged that candidates would be well prepared and would have researched the industry setting. It is pleasing to report that the majority of candidates had researched well for this case, but disappointing that so many candidates did not understand many of the principles of franchising, which was one of the main issues in this case. Any research of this industry should have demonstrated the wide use of franchising as a method of growth. It was also discussed in the article on Zubinos titled "More than just Bean Counters" on the CIMA web site that is available to all candidates.

The un-seen material always gives unexpected twists to the case, so that candidates can be tested to see whether they can apply their knowledge to the case. In this May 2006 unseen material the unexpected twists were that Zubinos had been approached by a franchising agent, GF, which had proposed a large scale expansion of the Zubinos brand, a decline in customer service and quality of products, a shortage of supply of a new product (Zubinos' Light meal boxes) resulting in the need to select a new supplier and the departure of the founder Luis Zubino on 3 months' leave following his marriage breakdown, as well as some other issues such as how to achieve the agreed 5 year plan.

It was disappointing that so many candidates were clearly so unprepared for anything on franchising and many simply repeated data given in the un-seen material, whilst some others chose to ignore

franchising altogether. The unseen material was 4.5 pages long, of which the franchising proposal was 1 page long, which should indicate that this was not a minor issue and should not be ignored. The franchising proposal by GF was an opportunity for Zubinos to enhance the brand and the number of shops open within 5 years to over 300 franchised shops (in addition to the planned 75 owned shops) and this would be welcomed by KPE, the private equity investor as it would generate a healthy revenue stream (of over £36 million, before fees, within 5 years) and would raise the profile of Zubinos for an AIM listing around 2009. It was almost too good an opportunity to decline, although if a well argued case was put forward candidates could still pass if the franchising proposal was recommended to be rejected. However, a disappointingly large number of candidates made no decision at all on this most crucial issue. Remember, your role in the TOPCIMA exam as a consultant is to advise – so you MUST make clear recommendations on each of the key issues, and not state, “we must review..... or we must consider..... or we must give this more thought... or more investigation...”. You are awarded marks for MAKING recommendations and for justifying the recommendations, and not for being indecisive!

From marking and reviewing scripts from the May 2006 TOPCIMA exam the following points are relevant to candidates who were not successful:

1. The majority of candidates demonstrated little technical knowledge, although it was pleasing that so many candidates did at least prepare a SWOT analysis. However, many SWOT analyses omitted many of the top priority issues. There were several relevant techniques that could have been prepared and applied to the case material including PEST analysis, the use of the Balanced Scorecard and Porter’s generic strategies.
2. There was an article freely available on the CIMA web site, written by Adrian Sims, titled “A lot more than Bean Counters” and this gave a valuable insight into the coffee shops industry and identified that franchising was a common method of expansion and that this could be examined. Therefore it is recommended that all of the resources on the CIMA web site are thoroughly read in future - it is there to help you to pass!
3. More detailed discussion in the body of the report is required in order to gain higher marks, for a more in depth analysis of the issues. Many candidates simply “put words round” the information in the unseen material with little, or no, additional comments. For example, why is Human Resources important – it is more far reaching than good business practice of looking after staff, as in this customer focused industry, badly trained staff who are working long hours will not provide the level of customer service that is expected. Customers demand good service, and the Zubinos brand is built up on good customer service, and this is not what Zubinos is doing well at present. However, so few candidates linked customer service and a long term loss of business to the fall in HR standards.

It was disappointing that the franchising and the supplier selection were not well dealt with by many candidates. Much more widespread reading of the financial press should help candidates to understand the business world that CIMA exams are trying to prepare them for.

2.0 Areas that were well attempted by candidates

In addition to the Post Exam Guidance report that is published on the CIMA web site for each exam, the CIMA web site also has some guidance notes for TOPCIMA candidates, giving advice on the assessment matrix and also giving a suggested report format. It is apparent that these guidance notes have helped many candidates, as the formats of reports in the May 2006 exam were probably the best since TOPCIMA was introduced. Prioritisation, as noted above, was extremely well attempted by the majority of candidates who earned pass marks, with many earning 9 or 10 out of the 10 marks available in this criterion.

The majority of candidates prepared a SWOT analysis and these were generally very good. This is also a helpful tool to prepare on exam day, as it helps the candidate to identify all of the new issues raised in the unseen material and to decide which are the most important, particularly the threats and the weaknesses areas of the SWOT. However, it is very important that the top 5 priority issues

identified are also included in the SWOT analysis. It is disappointing when the GF franchising opportunity is identified as a high priority issue, but is omitted from the Opportunities area of the candidate's SWOT.

Recommendations were also better in some candidates' reports, which showed clear reasoning as to how they reached each of the recommendations – and it is this justification behind the recommendation that will earn higher marks than the recommendation itself.

Focus, which rewards candidates for the discussion of the key issues, has been increased to 15 marks in the May 2006 exams, and generally, the discussion was good and pass marks were awarded in this assessment criterion.

3.0 Areas that were not well attempted by candidates

The two areas that had not been well attempted were:

- Poor display of Technical knowledge, with many candidates only preparing a SWOT analysis and some candidates not displaying ANY Technical knowledge.
- Very disappointing display of commercial judgement by many candidates, and even a total lack of commercial judgement by a few candidates. The depth of discussion in many candidates' answers was under-developed and there was little discussion of reduced risk for Zubinos if franchising was selected, as it is the franchisees that bear most of the risk and Zubinos would have minimal set up costs. Furthermore, many candidates did not discuss price negotiation with supplier DTY or the possibility of an increase in the sales price for Zubinos' Light meal boxes. Many candidates also did not rule out the purchase of 2 further premises, which should be done to retain the agreed loan finance for future expansion to meet the agreed 5 year plan.

Finally, it was disappointing to see only a small minority of candidates even discuss KPE and ways in which it would require to exit in a few years' time. As a major shareholder, its wishes are important to the future success of Zubinos. It was expected that candidates would discuss possible exit routes, such as becoming listed on AIM or that the shareholders could achieve a MBO (Management Buy Out), or that it could be sold to a competitor. Additionally, if the GF proposal were to be accepted and was successful, an AIM listing in 2009 would be easier to achieve as the Zubinos brand would be much more widely known.

A better understanding is required of the business environment in which candidates will find themselves working when they qualify as an ACMA.

4.0 Assessment matrix and areas for improvement

4.1 Overview of the TOPCIMA Assessment matrix

The examiner was very pleased that the message that has appeared in the last few Post Exam Guidance reports (and also in the Guidance Notes issued in November 2005) has conveyed the importance of prioritisation. Over 95% of candidates did prioritise the issues in the case material and furthermore, many justified the reasoning behind the priority order, and earned high marks.

Prioritisation is very important. The time taken to think about the issues presented to you, and to consider which are more important to the company is time very well spent. The few candidates that did not prioritise generally did not pass, as they had not adequately planned their answers and they had not identified the importance of the GF proposal or Luis Zubino's planned absence or the need to appoint a new supplier for Zubino Light meal boxes.

A further point on prioritisation is that in each TOPCIMA case there is usually one issue that is the most important, along with 2 or 3 other important issues, followed by many minor issues. In this case,

one of the most important strategic issues was to accept or reject the GF franchising offer, which had appeared towards the end of the 4.5 page unseen material. However, more than half of those that prioritised issues had the franchising proposal low down on their list of priorities, many as low as issue number 8. Higher marks were awarded for those that had the GF proposal within the top 2 of their priorities. This is because the franchising proposal was a very good opportunity to expand and was potentially worth almost £11 million pre-tax, net of fees to GF, in 2010. This is exactly the same level of pre-tax profit that is included in the agreed 5 year plan. So the potential is there to double the expected returns if Zubinos agreed to the GF franchising proposal, assuming that it is successful.

This makes this issue far more important than the faulty coffee machines, which surprisingly, many candidates had far higher on their list of priorities. So remember, it is important to prioritise carefully for several reasons:

- You will earn higher marks in prioritisation for prioritising the main issues as part of your top 5 issues
- You should then discuss each of the issues identified as top priorities more thoroughly in the body of the report
- You should then conclude with well reasoned, fully justified recommendations for EACH of the issues prioritised.

In this exam, some candidates (who were unsuccessful) only discussed franchising briefly towards the end of their report as they had not identified it as a key issue. So if you identify the main issues correctly, it is likely that you will earn higher marks in several areas of the assessment matrix, including Prioritisation, Focus, Judgement and Logic.

It must be stressed that the 15 marks available for the Judgement criterion reflects the importance of making sensible, commercially viable comments and recommendations. It was therefore so disappointing that in this exam, about several issues affecting a young growing entrepreneurial business, that candidates' comments were so weak and many candidates had not even discussed the 3 month absence of the founder, Luis Zubino. Furthermore, some candidates either suggested that his work is "shared out" or that he should "not be allowed to take leave". He is the majority shareholder and MD and if he considers that he needs an extended leave, it is a decision that he has carefully considered, and it is not feasible or realistic to "ban" this leave.

It is again stressed that only by reading widely and becoming much more familiar with the general business environment will candidates gain the skills and the knowledge needed to be able to prepare sounder, more commercially justified, comments. It is NOT enough to simply read and research the one case that you are planning to sit. It is necessary to read much more widely and become more familiar with the industry setting and business environment in which the company is operating. Research and reading need not be restricted to reading newspapers (although this is recommended), as another convenient source of information is the Internet and the ability of search engines such as "Google" to identify news stories on specific topics or industries.

4.2 Technical

There were only 5 marks available for Technical in the May 2006 exam assessment matrix, and it was disappointing that many candidates only earned 1 or 2 marks. Many simply produced a SWOT analysis and many did not even do that and earned no marks at all in this criterion.

Only a few candidates earned pass marks for displaying a range of Technical knowledge. There was ample opportunity for the display of a wide range of techniques, such as:

- PEST analysis for the franchising proposal
- The use of the Johnson and Scholes model to structure the answer when evaluating the suitability, acceptability and feasibility framework of the franchising proposal
- The use of the Balanced Scorecard to improve employees' motivation and performance related pay

- Porter's Generic Strategies to demonstrate that Zubinos differentiates itself on quality and service delivery and not on price
- Life cycle analysis, and to identify that Zubinos is in the growth phase of a new and growing industry and that there are several new opportunities to grow (franchising, new product development, etc.)

There are also many other techniques that could have been used and included in your answer to gain marks in both this assessment criterion and also in the Application criterion. By not incorporating and using these techniques, many candidates lost valuable marks, which could have made the difference between the fail mark that was awarded and a marginal pass. It is recommended that candidates who were unsuccessful in this exam should revise these business techniques and incorporate them in their answer in future. The recommended reading text is Elsevier's TOPCIMA Learning System, which has a whole chapter on techniques that should be revised and learnt so that some of them can be applied to TOPCIMA cases (details on www.cimapublishing.com).

4.3 Application

The Application criterion is now worth 10 marks and is used to reward candidates for applying technical knowledge (both theories and calculations) to the case material.

As stated above, the SWOT analyses prepared by many candidates were very good and earned reasonable marks, although surprisingly, some candidates omitted to include the absence of Luis Zubino as a weakness, the problems with the shortage of the supply of Zubinos' Light meal boxes as a weakness and some even omitted the GF franchising proposal from their list of opportunities. All of the issues identified in the list of priorities should also be included under the correct heading in your SWOT for better marks.

In order to gain high marks in the Application criterion, it is expected that candidates should prepare a SWOT and a PEST analysis and use at least one other technique, perhaps the Balanced Scorecard or the BCG matrix. Candidates should use these techniques, with data from the case, to demonstrate how these techniques could assist management.

In respect of the calculations prepared reasonable marks were awarded to many candidates, although a few concentrated on preparing detailed revisions to the agreed 5 year plan. Remember, KPE bought into Zubinos on the basis of the 5 year plan and time should be spent discussing how the company can steer itself back to plan rather than on preparing detailed calculations revising (usually downwards) the 5 year plan. In reality a downward revision to the plan would not be agreed by KPE or the Zubinos Board unless there was no way that the initial plan could possibly be achieved (which clearly was not the case, as new product development (Zubinos Light) far exceeded planned revenues from new products).

Sometimes candidates spend too much time preparing detailed and unnecessary calculations. It is possible to pass TOPCIMA without preparing any calculations, and sometimes too much time is spent on calculations to the detriment of not writing enough on the issues and not writing fully justified recommendations. It comes back to time management. There are about 10 marks available for calculations and it is advised that candidates should not spend more than 20 minutes on calculations.

There were a range of calculations that could have been prepared, including:

- Margin analysis for alternative suppliers for the meal boxes, and value of possible annual sales, which should have identified that annual revenues were around £3.6 million compared to the 5 year plan for revenue from new products of £1.6 million for 2006.
- Evaluation of the franchising proposal from GF together with calculations valuing the opportunity cost of lost profits due to the restriction on the number of shops GF has stated that Zubinos cannot open, in order to allow franchisees to get established.
- Valuation of Zubinos for possible flotation in 2009/ 2010

- Valuation of cash flows on the new product development of retailing coffee machines and coffee supplies
- Calculation of key business ratios

There was ample opportunity to prepare a range of calculations in this case and most candidates did prepare some calculations for Zubinos' Light and some for the GF proposal, although disappointingly, many did not value the opportunity cost of the shops that Zubinos would not be allowed to open if the GF proposal was accepted (only 40 open by 2009 rather than 60, a shortfall of 20 shops).

Unfortunately many candidates spent far too much time updating, in a very detailed way, the agreed 5 year plan. Valuable exam time was wasted by many candidates who simply prepared these updates without referring to the effect of an enhanced, or lower, level of profitability in their reports.

4.4 Diversity

The assessment matrix weighting for Diversity had again been allocated 5 marks and many candidates earned good marks for industry awareness and many competitors' business strategies had been discussed.

However, the lack of business awareness regarding the use of franchising, which is prevalent in this industry was disappointing. Furthermore, very few candidates discussed the possibility of a takeover threat in the future, or discussed the options and timing of the different possible exit strategies for KPE, the private equity investor.

More industry research and general business awareness is again required here for higher marks.

4.5 Focus

There were 15 marks available in the assessment matrix for the Focus criterion, for discussing the key issues raised in the case. This was generally quite well answered by most candidates, although many candidates chose to discuss the faulty coffee machines and Zubinos IT requirements in far more depth than many of the main three issues concerning the GF franchising proposal, the selection of suppliers for Zubinos' Light meal boxes and of course the departure, on leave, of Luis Zubino. It was very disappointing that the majority of candidates either ignored Luis' imminent departure from the company or simply assumed that his work would be "shared out" between remaining directors. The answer should instead have discussed the need to bring in new additional expertise to help manage Zubinos during this period of Luis Zubino's leave.

To ensure high marks in Focus it is necessary to identify the all of the key issues in the case and to set up a "check list" of report headings, to ensure that all of the relevant issues have been discussed. The process of planning your answer, at the start of the exam, is to firstly identify the key issues, then prioritise them, and then discuss each of them in depth. Many candidates did NOT discuss some of the issues that they ranked high in their priority list in the necessary degree of depth, and some simply wrote half a page on franchising at the end of their report, almost as an afterthought. Franchising is a very relevant way of financing growth in this industry and should have been much better understood and applied to the case material. It was especially disappointing to read some incorrect statements such as "who will run the shops after 5 years when GF leaves" or "franchising will not generate much profit". Clearly many candidates did not understand the principles behind franchising.

Nearly all candidates prepared a good analysis of the proposed suppliers for Zubinos' Light meal boxes, but it was disappointing that many assumed that ART (the original, high quality but low cost supplier) would have its contract ceased. Additionally, a minority of candidates demonstrated a complete lack of commercial judgement by stating that "advertising should stop, and demand should be restricted to 2,000 boxes a day, as the only supplier that meets quality standards, DTY, is too expensive". Yes, DTY is expensive, but it can meet demand and still generates a 33% margin. Not a high margin, but this would allow more time to find alternative high quality suppliers or negotiate a lower price (perhaps based on higher volumes) from DTY. A CIMA candidate should NEVER suggest

that profitable products should not be sold. Indeed there is even a case here for selling at a loss for a short period to keep customers (mainly new customers) satisfied.

Human resource issues and the reduction in Fair Trade coffee were both discussed very well by the majority of candidates and these earned good marks.

It was disappointing that so few candidates discussed the need to recruit an interim manager to either replace Luis Zubino or to replace George Shale, if he were to be temporarily appointed as MD. Many simply suggested that Luis Zubino's roles were shared out or that Carl Martin from KPE could suddenly free himself up to step in. The role of the Board of Directors is an area that is clearly not well understood by many candidates, and the entrepreneurial spirit of Luis Zubino was totally missed. There were additional marks available for discussion of motivational issues and whether Luis Zubino would return after the three month leave, but many did not discuss these facets of this important issue.

Marks were only awarded for the discussion of the IT system, if the candidate argued in favour of implementing the proposed expensive system if they had noted the need to justify it on a cost / benefit basis. IT systems are expensive, and there is a need to identify what the systems will achieve. Furthermore, if the franchising proposal were to proceed there would be a new additional need to interface with a huge number of new users that would change the specification of the proposed IT system. Therefore a decision on IT should be deferred until a decision on the GF proposal was made.

4.6 Prioritisation

The examiner is very pleased with the significant improvement made in this assessment criterion, as the majority of candidates earned pass marks for clearly prioritising the key issues and for justifying why they had been prioritised in that order.

Whilst there is no single correct answer, the two key priorities were the need to appoint a new supplier to meet the demand for Zubinos' Light meal boxes and the GF franchising proposal. It was expected that the GF franchising proposal should be in the top 2 priorities, as this proposal is so significant in terms of the possible enhanced profile of the Zubinos brand and the potential doubling of the pre-tax profits in 2009.

Remember, it is not necessary to identify all of the issues, and there is no single correct answer. However, would you choose that sorting out the faulty coffee machines is more important than discussing the proposed GF franchising proposal which could be worth over £21 million, net of costs, in the next few years?

To summarise, in order to earn the full 10 marks available, it is necessary to identify and place in priority order at least the top five issues facing the company in the question, taking account of the events given in the unseen material on the exam day and these should be fully justified. It is not necessary to give each and every issue a priority number, but candidates should identify and prioritise at least the top 5 key issues. In order to earn the full 10 marks, the top 5 (or more) priorities should have the justification and reasoning behind the choice of priorities clearly explained and also the top priority, in the examiner's view, should appear in the top few priorities given by the candidate.

4.7 Judgement

This is an important criterion, which carries 15 marks, and is for the demonstration of alternative solutions and the display of professional judgement. It can also be considered as the "link" between the discussion of the issues and the recommendations. Marks are awarded on the basis of what professional judgement candidates have demonstrated in reaching and justifying their recommendations.

It was this criterion that was AGAIN rather poorly attempted and one in which the better prepared candidates earned high marks, and in which candidates who did not demonstrate good commercial

judgement, failed. It should be noted that many of the candidates who failed in May 2006, had earned fail marks in this criterion.

Therefore it must be stressed again (as this was similar to problems experience by some candidates in many previous TOPCIMA exams) that this criterion is an area that needs to be improved for the future. Marks will **only** be awarded in the criterion of Judgement for comments and recommendations that are commercially viable and realistic.

In the May 2006 case, marks were available in the judgement criterion for various aspects of the case, including the following points:

- In respect of the selection of a new supplier for the Zubinos' Light meal boxes, comments that would have earned marks in the judgement criteria included the selection of DTY for quality considerations and for its ability to provide nationwide delivery and its ability to meet growing demand. Additional marks were available for comments on retaining ART as ART produces high quality food at low prices and has worked with Zubinos to achieve the success to date. It was very disappointing that many candidates suggested cancelling ART's contract – it has done nothing wrong, it is inexpensive but cannot provide the volume required. Additional marks were given to the few candidates who suggested that Zubinos should assist ART, perhaps through a long term supply contract, to increase its capacity to supply to Zubinos. Another factor that earned extra marks for some candidates is whether the price of Zubinos' Light meals at £3.00 each could be increased, perhaps to offset the reduced margin due to the cost of the DTY meal boxes. All of these comments earned marks for making sensible commercially realistic comments on this product. It was very disappointing to read some candidates' comments who simply suggested CCV as the supplier as the cost was low and high margins could be achieved, with no correlation to quality and long term implications on the demand for this successful new product. Furthermore, a few candidates that suggested that demand should be restricted to only 2,000 boxes a day demonstrated a total lack of commercial appreciation of this profitable product.
- Areas that would have earned marks for the GF franchising proposal included comments on the added revenues to Zubinos from the GF proposal, the reduced risk to Zubinos by franchising, that the figures from GF would need to be verified and independently checked, the effect of the restriction on Zubinos owned shops and whether this could be negotiated if the franchised shops were not located in the UK. Additional comments could have stated that Zubinos could franchise on its own (now or later) without GF and save on GF's fees and whether Zubinos would be able to cope with the level of expansion and the required procurement issues if it were to accept the GF proposal. Additionally marks were awarded for discussion on the problems of controlling franchisees and maintaining the standards of the Zubinos brand and that if Zubinos were to reject GF's proposal, it would be offered to a competitor, which would make it even harder for Zubinos to achieve its challenging 5 year plan. However, it must be stated that there were far too many comments on the negative side of franchising and very little on the positive angles of franchising. After all, whilst we need to encourage prudent accounting, a CIMA accountant should be more commercially minded and encouraging towards this popular method of achieving high growth. Overall, far too many negatives comments on the franchising proposal.
- The unseen material gave details of a proposal by Bob West to purchase 2 shops to meet the expansion plans, rather than renting sites. There were marks available for candidates who recommended that the sites should NOT be purchased as it is not a good use of Zubinos limited £5 million loan finance from KPE. Instead marks were available for recommending that rental sites should be located in other cities and towns in Zubinos roll out plan and that experienced property agents should be used to identify suitable rental sites.
- Additional marks were available in the Judgement criterion for commenting that actions need to be made in order for the agreed 5 year plan to be achieved. Candidates who recalculated the 5 year plan at a substantially lower level of profitability, and reduced number of shops,

did not earn marks here. What was required were the actions that management should take in order to achieve the approved 5 year plan and to get Zubinos back on track.

- Lastly, as indicated in the Adrian Sims article on the CIMA web site, KPE will require an exit route around 2009. Some discussion of alternative exit routes such as a MBO or an AIM listing would have earned additional marks in Judgement. Furthermore, candidates were expected to make comments on the GF proposal and to explain that if it were to be accepted, and if it was successful, it would have a positive effect on raising the profile of Zubinos, and this would help make an AIM listing more achievable.

As you can see from the above comprehensive list there was ample opportunity to earn marks in the Judgement criterion, and it continues to frustrate the Examiner that so many candidates are giving brief unsubstantiated comments and recommendations which do not deal with the issues in sufficient depth. More depth of discussion and more commercially realistic comments and recommendations are required in future to earn marks under this criterion. This is especially important from September 2006 when the marks available for the Judgement criterion increase to 20 marks.

4.8 Integration

This criterion rewarded candidates for their ability to write a cohesive, comprehensive report that “flows” well and reached well justified recommendations on each of the issues discussed. This criterion is marked holistically on whether the report is a realistic, business report that contains commercially viable comments that would give the Board of Directors of Zubinos (the recipients of the report, as noted within the requirement of the question) the type of advice they are seeking from a consultant.

For example, if the Board of Directors of Zubinos received a report that did not advise them on the GF franchising proposal, or on the selection of a new supplier for Zubinos’ Light meal boxes, they would be disappointed with the report and would probably not appoint that consultant again!

Remember - the Zubinos Board has appointed you, as a consultant, to advise – and this is what your report should do – advise. You MUST reach firm, justified recommendations on all of the issues that have been prioritised, particularly the top few priorities. Whilst it is up to Board members to decide what course of action they will take, it is for the consultant (i.e. the candidate) to present all of the arguments for and against and to weigh them up to reach recommendations.

4.9 Logic

The criterion of Logic carries the most marks in the assessment matrix and in the May 2006 exam again there were 20 marks available for candidates who prepared clear, justified, well argued recommendations and for the good presentation and business communication skills demonstrated throughout the report.

As stated above, the most important aspect of any business report is the recommendations section. This is what is being selected by the consultant as the chosen courses of action, having prioritised, evaluated, analysed and discussed each of the issues. Therefore recommendations, and the justification why a particular course of action is being recommended, are VERY IMPORTANT. The report is directed to the Board of Directors of Zubinos and recommendations should be clearly stated and justified and should cover all of the issues discussed elsewhere in the report, especially the top 5 prioritised issues.

How NOT to prepare recommendations:

- a few one or two lines in bullet point format
- Half a page of brief unjustified recommendations
- No recommendations on the identified top priorities
- Ask for more time, more data etc before a recommendation can be made.

Repeating what is above in Integration, the requirement of the 100 mark question is for **you**, as a consultant to prioritise, discuss and to make appropriate recommendations. Therefore, you **MUST** make recommendations and not leave any of the issues undecided. It is for the consultant (i.e. the candidate) to present all of the arguments for and against and to weigh them up to reach recommendations.

Many candidates did not give enough emphasis, nor make any recommendations on the GF franchising proposal. Whilst a cautious approach is to be commended, as all of the figures had been given by GF, and are still to be verified, the GF franchising proposal was so important because:

- It generated a healthy NPV
- The pre-tax profits in 2009, net of fees, was £10.9 million – the same as the 5 year plan profits for 2009. So if it were to be accepted, (assuming figures are correct) then Zubinos could materially improve its profits (doubling profits in 2009)
- It would enhance the profile and brand name of Zubinos which makes an AIM listing more achievable in 2009, as an exit route for KPE
- KPE, the private equity investor, would probably be in favour of the GF franchising proposal as it would generate more profits in the short term and then it would exit in 2009. Maintenance of brand image is not a new problem, and one which a private equity company would have some experience in.
- GF stated that if Zubinos did not accept the proposal, it would be offered to a competitor. This could make competition stronger and make Zubinos ability to achieve its 5 year plan even harder.

Therefore overall, there are many reasons for recommending that the proposal should be accepted (subject of course to further investigations on the figures that had been provided by GF). Furthermore additional marks would be given if recommendations were made concerning the need for Zubinos to appoint a Franchising Liaison manager and also to strengthen its procurement department.

There are also many good reasons for rejecting the GF proposal, and candidates could manage to pass this TOPCIMA exam if the GF proposal was rejected, as long as good reasons for rejecting this proposal had been given. These reasons could include concerns such as Zubinos is not ready for this large scale of expansion and that its procurement department could not manage, or that the Zubinos brand is not yet strong enough to support franchising on this scale.

There is no single right or wrong answer with TOPCIMA – it is all down to the depth of discussion and the strength of the candidates' arguments and justification behind the recommendations made that will earn marks. Franchising is a common method of expansion in this industry, and some UK coffee shop chains do franchise, whereas others do not.

All business reports, whether financial or non-financial reports, include recommendations of alternative courses of action, together with justification of why one, or more, courses of action are recommended.

Furthermore, some recommendations were rather unrealistic and commercially naïve. For example, it was unwise to suggest DTY for the entire production of Zubinos' Light on a three month contract. Few candidates recommended encouraging ART to produce more, or to bargain for a long contract with DTY at reduced prices.

It is expected that each of the recommendations concerning the top five priorities should cover several lines and probably be a paragraph or two in length for each. Therefore, the recommendations section of your report, covering all of the top five priorities as well as some other issues of lesser importance, would probably cover 2 to 3 pages (handwritten) in order to gain good marks. Therefore the half page of brief bullet points that is provided by far too many candidates, is simply too brief and is generally unjustified. These brief comments will not earn pass marks in this criterion.

It is reminded that it is generally better for all recommendations to appear together at the end of the report, rather than at the end of each section concerning each issue, as many actions impact on

others. It is impossible for a company to choose every available proposal presented to them as there is limited finance and manpower to action them. Therefore as the selection of courses of action are competing for the same scarce resources, manpower and finance, the recommendations should not be made in isolation, but should be weighed up at the end of the report.

4.10 Ethics

This criterion was again better attempted than in the TOPCIMA exams held during 2005. However, the problem remains that many candidates discuss many ethical issues in the case (although some do not fully discuss why they have an ethical dilemma) but it is the quality of the advice (or lack of advice) that will determine the level of marks awarded here. For each ethical issue the candidate should make clear fully justified recommendations on how the ethical issue could be addressed and the cost implications for the company.

Merely placing a discussion under the heading of "Ethical Issues" did not of itself secure marks. There was a wide range of ethical dilemmas in this case, including long hours worked by many employees, EU immigrant employees being over worked and underpaid, the reduced level of Fair Trade coffee that had not been corrected in Zubinos' marketing literature, the low food quality of the existing supplier BBK for Zubinos' Light meal boxes and the noise nuisance of early morning deliveries.

Many candidates earned reasonable marks for identifying many of these ethical issues, but would have earned higher marks if more advice and recommendations as to how the ethical issues could be overcome had been given. Therefore, better, more detailed recommendations are required on the ethical issues to earn higher marks.

The Fair Trade issue (moving from 80-60%) was not about ethics, but about the business sense of the procurement. The related ethical issue concerned the literature. Candidates' awareness of the EU Working Time Directive was considerable, although their understanding of its detail, or its implications for businesses such as Zubinos was not.

To summarise, in order to earn pass marks it is necessary to identify the ethical issues, justify why you consider them to be ethical issues and to make recommendations on how to resolve several of the ethical dilemmas included in the case material. The full 10 marks will be awarded for a good discussion and recommendations concerning two or more ethical dilemmas.

5.0 The requirement

The requirement has been fairly similar to previous TOPCIMA exams, asking candidates to prioritise, discuss and make appropriate recommendations on the issues facing Zubinos.

As noted above, many more candidates are now prioritising the issues (and most are putting the issues in a suitably correct order) and are discussing many of the issues quite well. It is often the commercial judgement and recommendations that are weak that can make the difference between pass and fail.

6.0 How to prepare BETTER for the TOPCIMA exam

The examiner is confident that you would not have gone into the exam room for any other CIMA exam without working your way through past papers, as a way to revise and test your knowledge. So why do so many candidates sit TOPCIMA without working through past cases? Yes – there is a lot more material to read and assimilate, but it is only through practicing your analysis skills using past cases that you can improve them for the TOPCIMA case that you are planning to sit.

It is also necessary for many candidates to revise the subjects contained in the 3 Strategic level papers, particularly Business Strategy, so that relevant technical knowledge and theories can be discussed in the context of the case material. Two of the nine assessment criteria relate primarily to the display and application of technical knowledge, which together carry 15 marks.

Candidates are referred to the TOPCIMA Learning System textbook, (www.cimapublishing.com) which is the recommended reading text for this exam. This CIMA Learning System takes candidates through past TOPCIMA cases and demonstrates how to analyse the pre-seen and also what to do on the exam day with the unseen material and how to prepare their answers on the exam day. It also contains a chapter on Technical issues, including revision of a range of business and financial techniques that candidates should understand and incorporate in their answers. This CIMA Learning System also contains ALL of the TOPCIMA cases to date and the case writer's answers, which you can use to check your progress when you have attempted your answer to past TOPCIMA cases.

The format of candidates' reports was very good this sitting – however, the content of what was in the report needs to be improved. Candidates are referred to previous Post Exam Guidance reports or the general TOPCIMA guidance notes for the suggested report format.

In summary, the eight key tasks that will put you in a better position of passing TOPCIMA are:

- WORK (**not** simply read) through at least 2 TOPCIMA past cases (on www.cimaglobal.com)
- Read thoroughly 2 past TOPCIMA Post Exam Guidance reports (on www.cimaglobal.com)
- Research thoroughly the business setting for the case that you will be sitting and familiarise yourself totally with the pre-seen material
- Revise business strategies and suitable techniques and be able to apply them to the case material.
- Practice writing answers to previous TOPCIMA cases in a 3 hour session and see how comprehensive an answer you can produce in this time. Check your answer to the case writer's answer (in the CIMA Learning System or available from www.cimapublishing.com)
- Read the article on the CIMA website (www.cimaglobal.com) about the case you are planning to sit. CIMA commissions an independent writer to analyse the pre-seen material and this article gives a good insight into the industry and the problems and opportunities it is facing.
- Ensure that your report clearly prioritises the top 5 key issues raised in the case material, including the unseen material given to you on the exam day
- Ensure that your answer covers all nine of the assessment criteria

Remember – do your research and prepare for the exam – but on the day, ensure that you write a thorough, well reasoned answer that covers the relevant key issues raised in the unseen material and ensure that your answer covers all aspects of the requirement.

If you have WORKED through two past TOPCIMA cases thoroughly, you will be well prepared for your TOPCIMA exam. However, if you have simply skimmed through or read the past case material – this WILL NOT help you to pass.

As noted above, you MUST practice writing answers for TOPCIMA cases. You should write answers to past TOPCIMA cases and check them yourself against the case writer's answers. If you have simply read the case writer's answers and you have not sat down for 3 hours to see how comprehensive an answer YOU could write in 3 hours, then you are NOT prepared for this exam.

The key to passing this exam, like many other exams and tests, is practice, practice and practice. There is no short cut. There is no easy answer. There is no way to prepare for the TOPCIMA exam without investing in hours of work using past TOPCIMA papers and to work on them as if they are the real case that you are going to sit!

Remember it is good preparation, and not good luck, that is needed to pass this final test of professional competence - so go and prepare for this final test in order to increase your ability to handle this different and challenging exam. After all, when you are CIMA qualified, you could well be facing a similar situation; only this time it would be for real!