

TOPCIMA - September 2007 - Post Exam Guidance report

1.0 General Overview

The purpose of this report is to give help and advice to candidates who were not successful in the September 2007 sitting. This report explains what the examiner was looking for in candidates' answers and details the most common mistakes made by candidates sitting this exam.

This report will also be useful to candidates planning to sit a future TOPCIMA exam, as the advice given is not necessarily specific to the September 2007 case, but can be taken and used to improve candidates' understanding of the higher level analysis skills required to pass this final CIMA exam.

As always in CIMA exams, it is quality, not quantity, which is important. It is often the recommendations at the end of your report and the judgement displayed throughout the report that determines whether a report passes or fails. So good time management is crucial in order to allow adequate time to prepare detailed and fully justified recommendations.

TOPCIMA is a case study based exam, with the pre-seen material to set the scene, being published over 8 weeks before the exam sitting. This case was about a luxury boat building company called Merbatty. The pre-seen material highlighted that the luxury boat building industry was a developing one, with a growing base of wealthy customers. The pre-seen material also gave details on the following:

- Plans for the expansion of Merbatty
- The planned opening of a third boat building facility in Surania
- New technology being used in its USA boat building facility

The requirement was similar to previous TOPCIMA exams. Candidates were asked to write a report to the Board of Merbatty, which:

- Prioritises the issues facing the company
- Analyses the key issues and their impact
- Provides a choice of alternative actions to address these issues
- Makes sound, feasible recommendations on what actions should be taken (from the choices the candidate provided).

The assessment matrix has 9 criteria, each of which carries a fixed number of marks.

Merbatty, the luxury boat building company featured in the case, has been a listed company for less than one year and has an ambitious 5 year plan, which investors will want to see achieved. They will want the planned level of dividends and capital growth to be delivered, which is why they invested in Merbatty in 2006. Merbatty operates in a truly global industry with many companies competing for market share in this elite industry. Merbatty has based much of its expansion, as detailed in the five year plan, on the opening of the Middle East facility in September 2007. The 5 year plan (as shown in the pre-seen material) shows very high growth in sales in the Middle East region. Thus a delay in opening this facility could have serious repercussions for Merbatty in terms of possible delays in the delivery of customers' boats. Delays could in turn lead to compensation payments, together with slippage of 2007 profits into the 2008 financial year.

The case un-seen material presented to candidates on exam day included a number of new issues, including:

- A delay to the opening of the new Suranian boat building facility, and the knock on effect of what to do with the orders already placed and the orders expected in the Middle East
- Problems with glass re-enforced plastic technology in the USA facility
- A proposal to enter the boat chartering market
- A problem with faulty navigation control panels
- A shortage of skilled employees and the need for Merbatty to recruit over 100 skilled boat builders over the next two years. An additional related problem is the lack of staff training, which has led to a number of staff resignations.
- A proposal to increase sales in Australia by opening a sales office and marina, displaying the full range of 15 Merbatty boats. This proposal would mean replacing Merbatty's current sales agents.

Overall, the biggest threat facing Merbatty was the need to ensure that the Middle East orders (both those already contracted and those expected before the end of the year) were completed satisfactorily and on time. Another matter requiring attention concerned the technological problems in the USA.

Many candidates who failed this sitting of TOPCIMA did so because they did not discuss the important issues facing Merbatty. It was possible to pass if the problems with the glass re-enforced technology in the USA or the boat chartering proposal were not discussed. However, it was not possible to earn sufficient marks across the nine criteria if the issue of where and when to build the 30 Middle East orders, as well as the need to address the technological problems in the USA, was not discussed.

Greater consideration needs to be given to the practical impact of the case, rather than repeating theoretical strategies, with little understanding of their relevance to the strategic decision making process. Candidates are reminded that all the analysis given in the appendices should be referred to, and discussed, where relevant, in the body of their report.

2.0 Areas candidates attempted well

The format of candidates' reports was good, with nearly all candidates identifying and prioritising the top 5 (or more) issues and justifying the rationale behind their ranking. Technical knowledge was largely good and in many scripts, was applied well to the case material. In terms of calculations, the NPV for the boat chartering proposal was correctly calculated by most candidates.

Recommendations were also good in some candidates' reports, as they showed clear reasoning as to how they had reached each of their recommendations. It is the justifications behind the recommendations that will earn higher marks than the recommendations by themselves. Also, many candidates correctly prepared recommendations for all of the issues they had identified, prioritised and discussed earlier in their report.

Ethical issues were generally well answered.

3.0 Areas candidates did not attempt well

There are 20 marks for Judgement and 20 marks for Logic. Therefore these two criteria have a significant impact on the total marks awarded. It is in these two criteria that unsuccessful candidates often fail to gain sufficient marks. Within these two criteria there were 4 main areas of weakness:

1. Lack of discussion on the need to ensure that the Suranian facility was up and running no later than the end of January 2008 and the need for the Board to make a decision in the meantime about where and when to build the 30 orders from the Middle East. Many

candidates did not recognize the urgency of this matter in relation to Merbatty achieving its 2007 profit targets. The un-seen material specifically stated that stock market analysts had advised Merbatty of the importance of achieving the planned 2007 profit target and the target of 300 boats commenced in 2007. Thus delaying the commencement of these 30 boats was not an option for Merbatty. Therefore the decision that needed to be made was where to find alternative locations to build them.

2. Many candidates did not identify the importance of the technological problems, particularly the faulty navigation control panels, in respect of Merbatty's reputation and the impact on customers if something were to go wrong.
3. There was too much focus on the boat chartering business and the Australian proposal, which were not the key issues in the case.
4. Some candidates failed to make conclusive recommendations and therefore were not awarded the marks available for advising the Board. It is not acceptable to state "I recommend that Merbatty move production of the 30 boat orders" without further explanation and advice for alternative strategies.
5. Some candidates made careless errors such as including the initial investment sum in the wrong year or by using a residual value of €0.75million rather than €7.5million. It is recognised that candidates are working under stressful examination conditions, but careless errors should not occur in a report for the Board.

4.0 Assessment matrix and areas for improvement

4.1 Overview of the TOPCIMA Assessment matrix

The examiner was pleased with the format of candidates' reports although the discussion was often "thin" and lacked depth of analysis and many of the calculations made (particularly when the candidate performed ratio analysis) were not referred to in reports. If you prepare a calculation you must discuss the results within your report.

Ethics was well dealt with by many candidates, although the recommendations and advice on how the ethical dilemmas could be overcome were often weak and unjustified.

Most candidates earned pass marks in prioritisation. It is wise to take time to think about the issues presented to you, and to consider which are more important to the company. The examiner considered that the delay to the opening of the Suranian boat yard and the knock on effect this had in the construction and delivery of the first 30 orders in the Middle East facility was the top priority.

However, the problems with the technology in use in the USA facility was also a major threat to Merbatty, as too was the problem with the potentially faulty navigation control panels. So there were several issues that could be highly ranked. The examiner considered that these three issues needed to be in the top 3 priorities (in any order). Much of the growth in Merbatty's ambitious 5 year plan is based upon the successful operation and growth of the Middle East region, therefore Merbatty cannot afford to let this delay slip any further. Also, the problems with the technology being used by Merbatty in the USA could have serious repercussions through bad publicity. Additionally, to gain the full 10 marks, it was necessary to address Merbatty's staffing problems and the boat chartering proposal, in the top 5 priorities. It is also necessary to justify the ranking of the priorities.

The analysis of alternative strategies and the recommendations (marked in Judgement and Logic respectively) were weak. Therefore, whilst reasonable marks were awarded in the other 7 criteria, the two criteria which carry 40% of the marks, were often poorly answered. It is important for candidates to display a good degree of professional and commercial judgement throughout their reports.

4.2 Technical

5 marks are available for Technical. Many candidates earned high marks for a good display of relevant technical knowledge. Indeed many candidates produced at least 3 relevant theories or analyses, including a SWOT, a PEST analysis, references to Porter, Ansoff, Mendelow etc.

There was ample opportunity for the display of any of the following techniques:

- SWOT analysis
- PEST analysis for the Suranian facility
- The use of the Johnson and Scholes model to structure the answer when evaluating the suitability, acceptability and feasibility framework of the proposal to enter the boat chartering market or the proposal to increase sales in Australia
- Porter's Generic Strategies to demonstrate how Merbatty differentiates itself on quality and excellence in design and customer satisfaction
- Porters Five Forces to demonstrate that barriers to entry in the industry are high and that competitive rivalry is also high and also high suppliers power
- Mendelow's stakeholder analysis to analyse the many stakeholders Merbatty has, including its customers and key suppliers such as Marinatron and Topcrest, as well as the importance of other stakeholders such as employees and also JKL, its institutional investor.
- Motivational theories put forward by Herzberg and Maslow.
- Other applied models such as Ansoff's growth matrix, the BCG matrix and the Balanced Scorecard
- NPV analysis on the boat chartering proposal
- Relevant ratios

There was however, evidence to suggest that too much time was spent on detailed but unnecessary calculations or technical knowledge covering many appendices.

The recommended study text is Elsevier's TOPCIMA Learning System, which has a whole chapter on techniques that should be revised and learnt so that relevant techniques can be applied.

4.3 Application

The Application criterion carries 15 marks and is used to reward candidates for applying technical knowledge (both theories and calculations) to the case material.

In order to earn high marks for the SWOT, candidates should have identified the delay to the Suranian facility and/or where and when to build 30 boats as a Threat (or a Weakness). They should also have identified that the USA problems and the problems with the faulty navigation control panels were a Weakness or a Threat. Candidates were also expected to include the competitive environment as a Threat.

Remember - it is necessary to incorporate all of the new information given in the unseen material in order to earn high marks. A pre-prepared SWOT based on the pre-seen is insufficient.

Similarly, a PEST analysis, incorporating points relevant to the new Suranian manufacturing facility, should be included. There were some very good uses of applied technical knowledge, which also earned marks.

The calculations provided by many candidates were inadequate, and it was disappointing to see how many candidates did not calculate the NPV correctly. Very few candidates prepared a meaningful analysis of the effect of the delay on the profits of Merbatty. A further error made by candidates concerned the €20 million cost over run. This was treated as a deduction from profits, whereas it is capital expenditure (which will affect the level of depreciation and profits in future years).

Calculations that could have been prepared, to earn marks include:

- The NPV for the boat chartering proposal.
- A cash forecast, taking into account the delays to the Suranian facility and the additional costs associated with this delay
- The effect of the delay to the opening of the Suranian facility on the 2007 operating profits.
- Relevant ratios for Merbatty on average revenues and costs per boat. Also gearing and market capitalisation calculations

4.4 Diversity

Diversity carries 5 marks. Many candidates earned good marks for industry awareness and relevant comments on international boat building companies and other companies that have undertaken boat chartering. Generally, there was a reasonable awareness of the issues facing the boat building industry, which was demonstrated by reference to quality issues, industry staff levels and pay, training facilities and standards and customer awareness.

Many international boat building companies could have been referred to in the answer, including Sunseeker, SeaRay, Azimut-Benetti, Trinity Yachts and Ferretti. Many of these real life organisations have encountered a number of the issues facing Merbatty in the case. These include the boat chartering proposal and production delays. Many candidates cited the Sunseeker Training facility in Poole in their discussions of staff shortages and training. Candidates used the example of Riveria as a strong competitor in the Australian market.

In summary, although high marks were awarded in Diversity to many candidates, the information about real life companies was often not considered when preparing the rest of the report.

4.5 Focus

There are 5 marks available for the Focus criterion, for discussing the issues raised in the case. There was the opportunity to earn marks in Focus for the recognition of the delay in the opening of the Suranian facility and the decision on where and when to build the 30 Middle East orders.

There were also marks available for discussion of the other key issues in this case, which were the problems with the technology being used at the USA facility and the problems with the potentially faulty control panels. In addition, candidates could have discussed the staffing issues, the boat chartering proposal and the Australian proposal. Most candidates earned high marks.

4.6 Prioritisation

Prioritisation carries 10 marks. Almost all candidates clearly prioritised 5 issues, and did attempt to justify the rationale behind their ranking. Thus most candidates were awarded marginal pass marks

or higher. The examiner considered that the following three issues should have been placed in the top 3 priorities:

1. The delay in the opening of the Suranian boat building facility and the urgent need to decide what to deal with the 30 boat orders already placed and how to maintain customer satisfaction in a competitive market. There is also the pressure for these to be commenced in 2007 to meet the target of 300 boats, in order to satisfy market analysts.
2. The problems at the USA facility with the technology to apply glass re-enforced plastic to the hulls is also a high priority, as the consequences of water leakage and poor quality could have a severe impact on Merbatty's brand reputation.
3. The potential problems with the faulty navigation control panels and the decision on whether to recall all the boats fitted with these control panels. This could have serious consequences for Merbatty if an accident occurred and Merbatty could be shown to have known about the potential fault but had nevertheless not recalled the faulty navigation panels.

These three issues are all critical for Merbatty, as it must achieve its 2007 targets and keep its customers satisfied and it must also prioritise issues related to its brand reputation and customer safety. Therefore to get the full 10 marks, it was necessary to have prioritised these 3 issues within the top 3 priorities in this case (in any order). Many candidates only prioritised 2 of these 3 issues but were still awarded pass level marks.

The issue of boat chartering was seen to be less important. It clearly had a positive NPV and fitted into Merbatty's overall business profile, but in the light of the seriousness of the other issues facing Merbatty at the present time, the boat chartering proposal is not an option in the short term. If Merbatty is to achieve its 2007 target, all spare capacity must be set aside to ensure that the Middle East orders are delivered on time. Similarly, many candidates ranked the staff skills shortage as a top 3 priority. Though it is obviously important to ensure that Merbatty has sufficient numbers of adequately trained staff in order to ensure future growth, this was seen as less important in the short term, due to the impact of the top 3 issues

There appears to be a lack of understanding of the nature of prioritisation. It is not about urgency but about impact on the company. A minor issue that requires a decision next week is less urgent than a major strategic issue that should be considered for the future success of the company.

To summarise, in order to earn the full 10 marks available, it was necessary to identify and place in priority order at least the top 5 issues facing the company, taking account of the events given in the unseen material. These 5 issues should be fully justified and reflect the top priority in the examiner's view. In this case the delay in the opening of the Suranian facility and the need to fulfil the 30 orders already placed should have appeared in the top 3. It was necessary for candidates to also have the navigation control panels and their effects on customer safety issues and the problems with the USA technology in the top 5 priorities.

4.7 Judgement

This is a very important criterion, which carries 20 marks. Marks are awarded for the demonstration of alternative solutions and the display of professional judgement in reaching recommendations. The Judgement criterion is a clear discriminator between well prepared candidates and weaker candidates. Where marks at marginal fail level are awarded in Judgement, it is unlikely that the candidate will have enough marks to pass TOPCIMA.

Thus it was this criterion that often determined the difference between pass and fail in a script. Candidates who analysed and discussed the issues well and showed good commercial judgement

on several issues earned pass marks of over 10. However, candidates who demonstrated poor commercial and professional judgement earned between 2 to 8 marks.

Therefore it must be stressed that this criterion is an area that unsuccessful candidates need to improve in. Marks are only awarded in Judgement for comments and choices of action that are commercially viable, realistic and sensible. Common sense and general business awareness were often not displayed – many candidates displayed poor commercial judgement in their choice of action in respect of where and when to build the 30 boats. The suggestion to use competitors' boat facilities was not commercially realistic and it was also unlikely that Merbatty would be able to outsource production of 30 large boats (over 25 metres) at short notice. It has taken over a year to get the Suranian facility ready for operations and therefore the suggestion that Merbatty could use an empty boat yard was also not feasible.

In the September 2007 case, marks for Judgement rewarded reasoned analysis, judgement and sensible comments over seven aspects of the case, which were as follows:

1. The 30 boats due to be built in the Suranian facility and the decision to be made on when and where to build these. These customers are likely to be new to Merbatty and it certainly does not want to begin its relationship with its Middle East customers in such a negative way. The problem for Merbatty is that the Suranian facility is not able to commence building these boats until February 2008 at the earliest, depending upon the delayed opening not slipping any further from the end of January 2008. The dilemma facing Merbatty, therefore, is whether to build the 30 boats in either the USA or the European facility. Both facilities have the spare capacity to build all 30 boats, but this would mean no other large boats could be built in either of these facilities until the middle of 2008. This then means that the boat chartering proposal is under threat as this would require the building of 10 large boats to be commenced in November 2007. Alternatively, Merbatty could inform the 30 customers of the 5 months' delay and build the boats in the Suranian facility starting in February 2008. In a competitive market place, where high growth is planned, this would appear to be commercially unrealistic. Additionally, penalties payable to the 13 customers who have already placed an order would amount to €2 million. A consequence of this option is that €9 million of profit that should have been recognised in 2007 would now be recognised in the 2008 accounting period. This is a significant shortfall in the 2007 profit as forecast in the 5 year plan. Additionally, market analysts have stated the importance of meeting targets, including the visible statistic of commencing 300 boats. Investors will be looking closely at this, particularly as this is Merbatty's first year as a listed company. This may damage both customer and investor confidence and may have a knock on effect in subsequent years. The other aspect of this dilemma is why Merbatty would choose not to build a boat for a paying customer when it has spare capacity at its other boat building facilities.
2. The delay in the opening of the Suranian facility. The achievement of the 5 year plan is based upon Merbatty's ability to meet the expected sales targets and the required number of boats being built within the two existing facilities and the new facility in Surania. Most of the growth in demand for the larger boats has come from the Middle East, and the new facility will specialise in building large boats. However, this is under threat, as the Suranian facility is now not due to open until the end of January 2008 (5 months later than planned). It is critical that Merbatty does not allow this to slip any further and it must ensure that the revised opening date is met. Merbatty must ensure that all necessary resources are invested in this facility. Merbatty needs to co-operate with the local authorities to obtain the safety certificate. Merbatty also needs to consider the impact that this delay will have on customers and the stock market perception of the company in this region. This is a very poor start and may result in lost orders as potential customers go to competitors.

3. Merbatty needs to decide whether to repair the cracks or to rebuild the boats on which the faulty technology at the USA facility, has been used. The cost of rebuilding and the payment of penalties would cost €11 million. Merbatty must liaise with engineers and designers at Topcrest to identify the seriousness of the problem immediately and decide whether to rebuild or whether they can be repaired. Customer safety is of paramount importance and Merbatty must be seen to be doing the right thing for the customers, rather than trying to save costs. Merbatty must also protect its good brand image, which has taken years to build up, but could be severely damaged if these quality issues are not handled carefully and swiftly. Furthermore, Merbatty must take the decision to stop using this technology immediately on new production until the fault has been identified and corrected. The old technology is still available and should be used.
4. Merbatty must also respond to the issue of the faulty navigation control panels. Merbatty needs to seriously consider both the risk to the 80 customers of not refitting these control panels and the behaviour of Alain Mina in refusing to refit the control panels and in not informing the Board of his decision. There is the potential for very bad publicity for Merbatty if those customers with potentially faulty navigation panels were to find out. When Marinatron learns that these panels have not been replaced, it may publicise this issue, which would have a damaging effect on the reputation of Merbatty.
5. The prospectus forecast for Merbatty at the time of flotation included a proposal to enter the boat charter market. Therefore it is important to undertake a rigorous review of the market and its potential competitors. This is a completely new area for Merbatty and it is not one within its core competencies. The biggest threat to the proposal that the candidate should have identified was when the boats could be built, as there is currently a problem in the Middle East facility which already has current orders for 13 boats and expected further orders for 17 boats by the end of 2007. If Merbatty decides not to delay construction of these 30 boats (and build them in the USA and European facilities) then there will be no spare capacity for these 10 large charter boats until the middle of 2008. Furthermore, marks were available for identifying that this proposal could be delayed by 1 year as it is not commercially sensible to build boats to charter when Merbatty has paying customers waiting for boats. The NPV for the charter proposal was high, but the NPV for the 30 boat orders would be significantly higher.
6. A further issue for discussion is that as Merbatty continues to expand it faces a serious threat by not having enough skilled employees. This problem is being compounded by Merbatty's inability to retain employees, mainly as a result of its policy on training. The key concern is that Merbatty is losing skilled employees and apprentices who believe that Merbatty is not effectively supporting their studies. Merbatty needs to review its training policies and its investment strategy in training. In addition, they need to review competitor's policies and staff recruitment and training and identify suitable ways to encourage staff retention through bonus schemes. These might be an employee share scheme or a performance related bonus linked to quality.
7. A final issue in Judgement was the proposal by Jesper Blanc to open a sales office in Australia and to replace its current agent with sales employees, together with renting space in a marina in order to display the full range of all 15 Merbatty boat models. The total cost of this proposal is €31 million in 2008 and €10 million in 2009. This is a huge expense in terms of having 15 boats on display, which effectively ties up millions of euros and 15 boats which could potentially be sold to customers. However, how realistic it is to expect that sales in this region will more than double by 2011 as a result of opening a sales office and displaying the 15 boat models in a marina? It is highly unrealistic to assume that Merbatty can achieve the target breakeven of 70 boats each year for the next 4 years, considering that this is double the sales for this region in 2006. This area is not critical and the risk

associated with the attempt to double its revenue in the region makes this proposal unacceptable.

It was disappointing that some candidates gave brief unsubstantiated comments, which did not deal with the issues in sufficient depth and did not demonstrate commercial sense. Business is all about managing risks and ensuring that threats to business goals are mitigated.

4.8 Integration

This criterion rewards candidates for their ability to write a cohesive, comprehensive report that “flows” well and reaches well justified recommendations on each of the issues discussed. This criterion rewards a report which is realistic in that it contains commercially viable comments that would help advise the Board of Directors of Merbatty.

4.9 Logic

The criterion of Logic carries 20 marks in the assessment matrix and like Judgement was the criterion in which fail candidates earned low marks. In order to earn high marks in this criterion you must prepare clear, justified, well argued recommendations.

It is recommended that candidates allocate at least 40 minutes of their examination time to preparing detailed and justified recommendations. Some candidates apparently did not manage their time adequately and prepared rushed recommendations.

It is of paramount importance that the report does not leave any of the issues undecided. The consultant (i.e. the candidate) needs to present all the arguments for and against and to weigh them up to reach recommendations. There is no single right or wrong answer with TOPCIMA – it is the depth of discussion and the strength of the candidates’ arguments and the justification behind the recommendations that earns marks. Ill-thought through analysis and poor recommendations are not rewarded.

In this case, low marks were awarded for a recommendation to delay the building of the 30 Suranian boats in order to use the spare capacity to build the charter boats. Although the boat chartering proposal has a high positive NPV over the 5 years, the most critical issue for Merbatty is to ensure that its current customers are satisfied. Many candidates saw that the boat chartering proposal had a high NPV and therefore assumed that this would keep investors happy. However, Merbatty cannot afford to start operations in the Middle East with a long delay which is likely to harm customer relations and lead to bad publicity. Investors are more likely to want the 5 year plan to be achieved, based upon healthy sales in the Middle East, than on the boat chartering business, which is unknown territory for Merbatty. The most appropriate recommendation is not to go ahead with the boat chartering proposal until the 30 Suranian orders are fulfilled.

Some candidates recommended that the Australian proposal be accepted. This did not earn marks. The decision was based purely on the high NPV and Jesper Blanc’s enthusiasm, but this was a strategy which was unproven and highly questionable. Candidates must base their recommendations upon sound overall commercial judgment and not just on financial factors such as a high positive NPV, which may be unfounded.

Other issues that candidates were expected to make recommendations on were the need to overcome the problems with the hull coating technology and the recommendation to immediately stop using the new technology in the USA until the fault has been identified and corrected. Candidates should also have recommended that Merbatty immediately replace the faulty navigation control panels and that customer relationships needed to be managed carefully in both of these

situations. Candidates should also have made recommendations on how to improve staff management, motivation and recruitment.

As a reminder, 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 actions impact on each other. It is impossible for a company to choose every available proposal presented to it, as there is limited finance and manpower to action them and in this case, limited boat building capacity. Therefore as the possible 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

Most candidates attempted to address ethical issues. In order to earn a pass mark, it is necessary to identify the ethical issues, justify why you consider them to be ethical issues and to advise on how to resolve several of the ethical dilemmas identified. The full 10 marks will be awarded for a good discussion and advice concerning two or more ethical dilemmas. The problem is that many candidates discuss a number of ethical issues but do not:

- justify why the issue is an ethical dilemma or
- give clear, fully justified advice on how the ethical issue could be addressed and the cost implications for the company

A maximum of 4 marks, i.e. marginal fail, was awarded for the discussion of ethical issues alone. It is the advice and recommendations on how the ethical issues could be overcome that earns up to the maximum 10 marks.

There were a range of ethical issues in this case including:

- The discrepancy of electric power tools and the theft of tools by employees
- The unofficial payments made by Middle East customers to Merbatty employees and sales agents
- The failure to recall of the 80 boats fitted with potentially faulty navigation control panels
- Alain Mina's reluctance to inform the Board of the serious issue with the navigation control panels.
- Merbatty's ethical position on greenhouse gases and emissions and sources of renewable materials.

Many candidates treated the faulty navigation control panels only as an ethical issue. However, as in the real world, this problem is a business issue as well. Candidates earned marks in Judgement as well as Ethics if both aspects of problems were addressed.

6.0 Recommendations to improve your chance of passing TOPCIMA in the future

Candidates are referred to the TOPCIMA Learning System, (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 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 past TOPCIMA cases and the case writer's answers.

Candidates sitting TOPCIMA for the first time are referred to previous Post Exam Guidance reports or the general TOPCIMA guidance notes (on the CIMA website) for advice on the suggested report format.

It is recommended that all candidates should read the financial pages of a good newspaper at least once a week, in order to gain an appreciation of the business world that this CIMA exam is set in. This will enable you to gain a far greater understanding of how companies operate and hopefully will reduce the number of non-sensible comments appearing in reports.

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

1. Work (not simply read) through at least 2 TOPCIMA past cases (on www.cimaglobal.com)
2. Read thoroughly 2 past TOPCIMA Post Exam Guidance reports (on www.cimaglobal.com)
3. Research the business setting for the case thoroughly and totally familiarise yourself with the pre-seen material
4. Revise business strategies and suitable techniques and be able to apply them to the case material. The examiner would also like to stress the importance of cash management in any organisation, large or small, listed or unlisted, profit making or not for profit – cash is key.
5. Practice writing answers to previous TOPCIMA cases in a 3 hour session and see how comprehensive an answer you can produce. Check your answer to the case writer's answer (in the CIMA Learning System or available from www.cimapublishing.com)
6. Read the two articles on the CIMA website (www.cimaglobal.com) about the case you are planning to sit. CIMA commissions independent writers to analyse the pre-seen material and these articles gives a good insight into the industry setting and the problems and opportunities the company is facing. The articles for the September and November 2007 exams on Merbatty are "Plain Sailing" by Adrian Sims of BPP and "Navigating uncertain waters" by Shuaib Masters of FTC Kaplan. There will be other articles for the next TOPCIMA exams on the CIMA website early in 2008.
7. Ensure that your report clearly prioritises the top 5 key issues raised in the unseen material and consider carefully whether you have the priorities in an appropriate order given the circumstances of the case and that you have justified the order in which you have placed them.
8. Ensure that your answer covers all nine 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.

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. Remember it is good preparation, and not good luck, that is needed to pass this final test of professional competence – and these are the same skills that you will use in the real world when you are a qualified CIMA accountant.