
Answers

1 (a) REPORT

To: PE senior management team

From: Management accountant

Date: XXXX

Subject: Evaluation of new online education technologies

Introduction

This report aims to evaluate the potential impact for PE in adopting new online education technologies with a focus on opportunities and risks from a company perspective. The technologies currently being used in Vanland's business education market include online learning platforms, adaptive learning systems, virtual reality, gamification and edutainment, mobile learning, and learning analytics.

Opportunities**Maintaining a competitive advantage**

Although it appears that some of the technologies are being used within PE's market, most notably by TLI, by successfully integrating some or all the technologies within PE's existing courses for accountancy, law, human resources, and marketing PE may be able to maintain its competitive advantage, compared to other education providers in the business education market, for example, virtual reality technology has not yet been explored for the business environment. Through the greater use of technology PE could be more attractive to students seeking more flexible and self-paced learning experiences. **(2 marks)**

Revenue growth

The use of online learning platforms would provide PE with a global reach, as PE could provide classes and resources for students across the world to access its current courses in accountancy, law, human resources, and marketing. This would increase PE's revenue beyond Vanland, which could be significant. It may also diversify PE's revenue base from its current focus on students who are supported by employers, to a more diverse student population that could include self-funding students. **(2 marks)**

Higher pass rates

Adaptive learning systems and learning analytics would allow PE to offer its students a more customised learning experience, where the technology could help assist and direct students based on their learning profile and performance. This could help students to become more successful in passing their exams

and helping PE to increase its pass rates beyond the current level of 78%. This would improve student satisfaction, increase retention rates, and further enhance PE's reputation with both students and employers. **(2 marks)**

Cost savings

Although PE wishes to continue to provide in-person learning and values the benefits of the face-to-face classroom approach, using the technologies to provide an increasing online delivery of some or all its courses, would result in cost savings within PE. This may include staff savings – teaching and non-teaching – and possibly property savings, as not all the 12 regional centres may still be required in future. **(2 marks)**

Risks

Investment and implementation costs

PE would incur significant costs to acquire and implement new technologies across its portfolio of courses. This may be difficult for PE to fund from its existing resources, and external funding may be required. There will also be significant changes for staff, which will involve training and support, which again could be a high cost for PE and will take time for the technologies to be embedded. The shift towards more technology-focused delivery could also require new staff, especially those with expertise in using the new technologies. **(2 marks)**

Resistance to change

Teaching and non-teaching staff may resist the shift towards new technologies, as this will require change and new ways of working. Teaching staff may require specific training and support to adapt to the new technologies, and some may face challenges in integrating these technologies into their teaching methods. Some students may also resist the shift towards new technologies, as they may have selected PE due to its classroom-based education offer, and moving to online delivery may not be welcomed. **(2 marks)**

Security and data privacy

Storing student data online raises significant security and privacy concerns for PE. This would require external expertise and security measures to protect information about both student's personal details and their educational progress and performance. As the technologies will evolve and develop it will require PE to continue to be vigilant and secure with student information collected via the various technologies. **(2 marks)**

New entrants

The business education market in Vanland has already attracted new entrants, for example TLI, and the ease of entry into the online education space may lead to further competition from new, technology-focused companies that may offer cheaper and more cost-effective education solutions, thereby challenging PE's market position. The classroom has been the “cornerstone” of PE's approach to business education and if PE started to adopt many of these technologies, then the future of PE may be questioned by the market and PE's individual and employer customers. **(2 marks)**

Reduction in pass rates

PE is established in face-to-face classroom teaching and has an average pass rate of 78%, but if PE were to use and incorporate more online education technologies, there is a risk that pass rates may decrease, as student engagement in the course may reduce and therefore preparation for exams may be impacted in a negative, rather than positive way. **(2 marks)**

Conclusion

The adoption of new online education technologies presents significant opportunities for PE to enhance its market position, provide innovative learning experiences, and achieve operational efficiencies. However, careful consideration and strategic planning are required to mitigate the potential risks and ensure a successful integration that aligns with PE's new strategic direction.

Marking scheme

- *Up to 2 marks for an appropriate and relevant opportunity facing PE if it adopted the new technologies. Up to a maximum of 10 marks. Maximum of 1 mark if the opportunity is relevant but not applied to PE. Up to a maximum of 3 marks for generic points.*
- *Up to 2 marks for an appropriate and relevant risk facing PE if it adopted the new technologies. Up to a maximum of 10 marks. Maximum of 1 mark if the risk is relevant but not applied to PE. Up to a maximum of 3 marks for generic points.*

Maximum of 16 marks in total for 1a.

Professional skills may be additionally rewarded as in the following rubric:

| How well has the candidate demonstrated professional skills as follows: | Not at all | Not so well | Quite well | Very well | Excellent |
|--|---|--|--|--|--|
| <i>Evaluation</i> skills in assessing the implications for PE of adopting new online education technologies. | The candidate has failed to assess any implications for PE of adopting the new online education technologies. | The candidate has proposed a few benefits and risks but does not clearly assess the implications for PE. | The candidate has provided several relevant benefits and risks and made a reasonable attempt at assessing the implications for PE. | The candidate has provided relevant benefits and risks and clearly understood the potential implications for PE. | The candidate has provided a thorough assessment of the implications for PE, by providing a range of relevant benefits and risks applicable to PE. |
| | 0 | 1 | 2 | 3 | 4 |

(b) BRIEFING PAPER

To: PE senior management team
From: Management accountant
Subject: KPI's for proposed critical success factors

Following the recent strategy day, six critical success factors (CSFs) were proposed to guide PE's future strategic direction, and this briefing paper will identify and explain suitable key performance indicators (KPIs) to track progress against each of the CSFs.

[Candidates are only required to provide one KPI for each CSF – additional KPIs are included in the solution below simply to demonstrate the potential range of indicators that could be considered by candidates].

1. Adaptation of technology

CSF: To successfully integrate online education technologies.

Potential KPIs:

- Percentage of PE courses available through an online learning platform.
- Improvement in student grades in courses with online technologies.

(1 mark)

The first KPI identified would be a lead indicator as it would enable PE to track progress in moving PE's existing portfolio of courses to an online model, using an OLP. The target here may be 100%. The second KPI would ultimately test the value of the online technologies, and therefore be a lag indicator, by identifying whether there had been an improvement in the performance of students due to the use of more online technologies.

(1 mark)

2. Student engagement and retention

CSF: To provide interactive and engaging content, personalised learning experiences, and effective student support services.

Potential KPIs:

- Course completion rates.
- Student satisfaction with the new online technologies.

(1 mark)

The KPIs identified are all lag indicators as they are assessing how useful or valuable the online technologies have been. The first KPI assesses whether more students are completing the course, which, if higher, would imply that the technologies have enhanced the course delivery and the student experience. The second KPI would directly ask students to assess their level of satisfaction with the new technologies, which would be their perceived response.

(1 mark)

3. Industry relevance

CSF: To consider how technology can be incorporated into course design, to align with professional bodies and industry trends.

Potential KPIs:

- Number of course changes identified.
- Percentage of courses updated within the last year.

(1 mark)

PE must continue to ensure that its courses are relevant to meet the needs of the professional bodies in the business education market. The first KPI demonstrates a proactive position for PE as it would indicate whether PE are identifying suitable changes to the courses within its portfolio. The second KPI would then demonstrate whether actual changes have been made to courses within the preceding year. This would indicate that PE is attempting to make its course relevant for the requirements of the professional bodies and to take account of any new trends in the business education market.

(1 mark)

4. Quality of teaching

CSF: To ensure that teachers understand the latest technologies and encouraged to apply them within their courses.

Potential KPIs:

- Adoption rates of new technologies by teaching staff
- Teacher feedback scores from students.

(1 mark)

The first KPI would indicate whether teaching staff were implementing new technologies into their courses, which would be the first hurdle for PE to

overcome as PE want to improve the quality of teaching, and therefore teaching staff are required to be innovative in their teaching practices. The second KPI can indicate the value of the new practices that have been implemented by seeking student feedback on teachers and teaching practices. This latter indicator could also be compared to previous feedback before changes had been implemented.

(1 mark)

5. Global reach

CSF: To successfully expand PE's reach globally through online education.

Potential KPIs:

- Percentage increase in global student enrolment
- Student engagement levels in online courses

(1 mark)

The use of new online technologies will allow PE to offer its courses outside of Vanland, and therefore the first KPI would indicate the increase in student enrolments outside of Vanland. This would help identify to PE whether there was a growing market overseas. The second KPI would then provide an indication on the engagement levels of online students. The technology could be used to monitor levels of engagement, which would hopefully be high, to indicate that students may be successful in passing the final exams.

(1 mark)

6. Data-driven decision-making

CSF: To implement a robust system for monitoring student key performance indicators (KPIs) and making informed decisions based on this data.

Potential KPIs:

- Number of student KPIs established
- Number of student interventions following KPI reporting

(1 mark)

The first KPI would indicate whether PE has established a set of meaningful KPIs to track student performance and engagement more accurately through its courses. The second KPI would then track how valuable the KPIs are, by alerting PE when student interventions are required. The assumption would be that an intervention would, generally, have a positive effect for the student,

and therefore provide additional support through their learning experience with PE.

(1 mark)

Marking scheme

For each of the six critical success factors:

- *Up to 1 mark for the identification of a suitable KPI*
- *Up to 1 mark for a clear explanation of the KPI*
- *A maximum of 2 marks per CSF*
- *No marks for generic KPIs that are not appropriately aligned with the CSF*

Maximum of 12 marks in total for 1b.

Professional skills may be additionally rewarded as in the following rubric:

| How well has the candidate demonstrated professional skills as follows: | Not at all | Not so well | Quite well | Very well |
|--|---|---|---|--|
| Commercial acumen skills in identifying and explaining suitable indicators that will enable PE to track its progress against the critical success factors. | The candidate has failed to provide any suitable indicators linked to the critical success factors. | The candidate has identified a several possible indicators, but it is difficult to understand how they would track progress against the critical success factors. | The candidate has provided relevant indicators that may be used to track progress, but the explanations are not always clear. | The candidate has provided relevant indicators that may be used to track progress against the CSF, and clearly explained each indicator. |
| | 0 | 1 | 2 | 3 |

(c) EMAIL

To: William Clayton
From: Management accountant
Date: XXXX
Subject: PE's use of data analytics

Hi William,

Following our recent meeting to discuss the use of data analytics to support PE's new strategic direction, I have summarised below the two requirements that you requested. The first part provides some relevant examples for each of the four types of data analytics which will hopefully help the senior managers to better understand how data analytics could be applied within PE. The second part analyses how PE using data analytics could also be beneficial for PE's students.

(i) Examples of how each type of data analytics may be applied at PE

Descriptive analytics: Understand what has happened in the past.

Examples of how this form of data analytics could be used within PE.

Course performance

PE could utilise historical data on course enrolments, completion rates, and student performance to understand trends across its range of courses. This could then allow PE to identify which courses have been particularly successful and which courses may need improvement. **(1 mark)**

Student recruitment

PE could analyse historical data on student demographics, including age, location, employer, to evaluate the success of past recruitment strategies and identify target students for future marketing efforts. **(1 mark)**

Diagnostic analytics: Understand why something happened in the past.

Examples of how this form of data analytics could be used within PE.

Student dropouts

PE could analyse factors contributing to student dropouts to identify common issues among dropout cases (e.g., specific courses, lack of support) which may help with future targeted interventions. **(1 mark)**

Feedback analysis

PE could analyse student feedback data to understand the reasons behind positive or negative scores and comments to identify areas for improvement in courses, teacher performance, or administrative processes within PE. **(1 mark)**

Predictive analytics: Anticipate what is likely to happen in the future.

Examples of how this form of data analytics could be used within PE.

Student demand

PE could predict future student enrolment trends based on historical data, by analysing course numbers, large employer plans, changes in professional syllabus, previous student performance. This would help PE to plan resource allocation and staffing more effectively. **(1 mark)**

Student Pass Rates

PE could develop predictive models to anticipate student success in specific courses, which could then help to implement targeted interventions to support any at-risk students proactively. **(1 mark)**

Prescriptive analytics: Recommend what actions should be taken in future.

Personalised learning

PE could use the technologies to recommend personalised learning paths for students based on their performance data to provide targeted and adaptive content to enhance an individual student's learning experiences with PE. **(1 mark)**

Teacher development

PE could analyse student feedback on teachers and course performance data to recommend specific professional development opportunities to enable teachers to enhance their skills in areas identified for improvement. **(1 mark)**

By incorporating these analytics approaches, PE can not only gain insights into its past and present performance but also make informed decisions about future strategies and interventions to achieve its new strategic direction.

(ii) How using data analytics may benefit PE's students

PE's use of data analytics may bring about several benefits for its students.

Tailored learning experience

Analysing individual student data allows PE to tailor the learning experiences based on each student's strengths, weaknesses, and learning preferences. For example, an adaptive learning system may adjust the pace and content of courses to match the individual progress and needs of students. **(1 mark)**

Early intervention

The use of data analytics can help PE identify students who may be at risk of academic challenges or dropping out, thereby enabling early intervention. PE can provide support services, additional resources, or mentorship for any at-risk students. **(1 mark)**

Student engagement

Analytics can measure student engagement levels, identifying areas where participation is high or low. Insights in this way can then inform strategies to enhance engagement, such as adjusting course content, incorporating interactive elements, or providing additional support. **(1 mark)**

Support services

Analytics can identify common challenges students face, allowing for the development of more targeted academic support services. It may be appropriate for PE to provide additional classes, appoint academic tutors, establish study groups, or any additional resources can be offered to address specific areas where students may be struggling. **(1 mark)**

By using the power of data analytics, PE can create a more student-centric and adaptive learning environment, allowing for more academic success, engagement, and overall satisfaction among its students, which also aligns with the views of the SMT on the strategy day.

If you have any further questions, then please do not hesitate to contact me.

Regards
Management accountant

Marking scheme

(i) *For each of the four types of data analytics:*

- *Up to 2 marks for each relevant example of how this may be applied at PE.*
- *Up to a maximum of 2 marks for each type (descriptive, diagnostic, predictive, prescriptive)*
- *No marks for generic points*
- *Up to a maximum of 8 marks overall*

(ii) *Up to 1 mark for each relevant benefit identified and briefly explained. Up to a maximum of 4 marks. Maximum of 1 mark if the benefit is relevant but not applied to PE. Up to a maximum of 2 marks for generic points.*

Maximum of 12 marks in total for 1c.

Professional skills may be additionally rewarded as in the following rubric:

| How well has the candidate demonstrated professional skills as follows: | Not at all | Not so well | Quite well | Very well |
|---|--|--|--|--|
| Analysis skills in understanding how PE may use data analytics and how it may be beneficial to PE's students. | The candidate has failed to demonstrate an understanding of data analytics and therefore does not assess its use for PE and how it may be beneficial to PE's students. | The candidate has made a reasonable attempt at demonstrating how data analytics may be useful for PE, but this is not always clear and there is limited reference to how it may be available to PE's students. | The candidate has demonstrated a reasonable understanding of how PE may use data analytics and provided good examples of how it may be beneficial for PE's students. | The candidate has demonstrated a clear understanding of how PE may use data analytics and provided excellent examples of how it could be beneficial for PE's students. |
| | 0 | 1 | 2 | 3 |

2 (a) REPORT

To: EBS board of directors

From: EBS senior business analyst

Date: XXXX

Subject: Greenwashing allegations facing EBS

Introduction

This report aims to first assess the impact for EBS of the recent greenwashing allegations, if they are proven to be true following EBS's internal review, and then secondly the report will advise the board on how they may mitigate the impact of this outcome.

(i) Impact if greenwashing allegations are proven to be true

If the greenwashing allegations against EBS are proven to be true, EBS could face a range of significant and potentially damaging consequences across various aspects of its business.

Loss of customer trust

The most immediate and severe consequence would be a loss of trust among customers. If they feel deceived by false sustainability claims, it could result in a decline in brand loyalty and a negative impact on sales. In the newspaper article EBS are accused of using vague and misleading labels on its products, which if true would certainly damage customer's trust. In the age of social media, consumers are quick to express their dissatisfaction and may organise boycotts or engage in campaigns against the brand. This would increase the negative impact on EBS's public image.

(2 marks)

Reputational damage

The fashion industry, especially in the sustainability segment, relies heavily on reputation and the newspaper article suggests that EBS's supply chain may not be as transparent or as environmentally responsible as advertised, and if proven to be true this would tarnish EBS's reputation and trust among all its stakeholders. In a worst-case scenario, this may question the continued existence and survival of EBS. **(2 marks)**

Legal or regulatory consequences

Greenwashing is not only an ethical issue but can also have legal implications. EBS might face regulatory investigations and potential lawsuits for false advertising or misleading consumers, leading to financial

penalties. Given EBS's global presence, this could mean that EBS faces issues in multiple legal jurisdictions. **(2 marks)**

Share price decline

EBS's share price could experience a further decline or prolonged instability as investors react to the negative publicity. Shareholders may sell their holdings, causing a decrease in market value. Institutional investors may continue to disengage further or divest from EBS if the greenwashing allegations are proven true. This may have a significant impact on the company's financial stability and access to future capital. **(2 marks)**

Impact on collaborations

Collaborations with designers, and other partners may be jeopardised as they distance themselves from the brand to protect their own reputations. This could hinder EBS's ability to leverage any influential partnerships for marketing and brand promotion. **(2 marks)**

Operational challenges

The need to rectify greenwashing practices and implement genuine sustainable measures may require significant operational changes. This may be costly and time-consuming, impacting the company's overall efficiency and profitability. EBS may not have the funding, or indeed the time, to manage this change process. **(2 marks)**

In summary, the potential impacts of proven greenwashing allegations against EBS extend beyond immediate financial consequences to encompass reputational, legal, and operational challenges that could significantly reshape EBS's future and its survival.

(ii) Advice on how the board may mitigate the impact of this outcome

If the greenwashing allegations against EBS are proven to be true, the board faces a significant challenge in mitigating the impact on the company's reputation and financial standing. Here are some strategic steps the board could consider.

Prompt and transparent acknowledgment

EBS should immediately acknowledge the truthfulness of the greenwashing allegations and admit to any wrongdoing and avoid attempts to downplay or conceal the extent of the issue. Taking responsibility is a crucial first step in rebuilding trust with both customers, stakeholders, and the wider market. **(2 marks)**

Internal investigation

EBS should conduct a thorough internal investigation to identify the root causes of the greenwashing practices and implement corrective measures to rectify the issues, ensuring that the company's future practices align with genuine sustainability goals. This may involve changes in its supply chain management and product labelling. **(2 marks)**

Change in culture

If the allegations are proven, it will signal that the existing culture is not aligned with EBS's mission and values as an environmentally responsible manufacturer, retailer, and employer. The board of directors will need to be instrumental in changing this culture from the top down, so that EBS re-establish its reputation as a leading fashion retailer in Shapland and globally. **(2 marks)**

Stakeholder communication

EBS should develop a communication strategy to address stakeholders, including customers, investors, employees, and the broader public. This should clearly communicate the steps being taken to rectify the situation, improve transparency, and prevent future occurrences. EBS should be honest about the challenges and its commitment to real change. **(2 marks)**

External sustainability expertise

EBS should re-evaluate and strengthen the company's sustainability initiatives by engaging with independent sustainability experts or organisations to conduct audits and ensure that the company's practices meet or exceed industry standards. EBS could consider obtaining certifications to validate commitment to genuine sustainability. **(2 marks)**

Director accountability

EBS should hold directors accountable for their roles in the greenwashing practices, which may require resignations or restructuring of leadership positions if necessary. This signals a commitment to ethical governance and sends a strong message about future accountability. **(2 marks)**

Financial compensation

EBS may consider financial compensation, if applicable, to address any harm caused by the greenwashing practices. This may include compensating affected stakeholders, supporting environmental causes, or investing in community initiatives. **(2 marks)**

Employee training

EBS could implement comprehensive training programs for employees to raise awareness about sustainability and ethical business practices. This could help create a culture of integrity and responsibility throughout the organisation, ensuring that every employee understands and contributes to the company's commitment to genuine sustainability, and is willing to hold the board of directors to account if EBS fails to deliver on this commitment.

(2 marks)

By taking these steps, EBS's board can demonstrate a commitment to addressing the greenwashing allegations, rebuilding trust, and positioning the company as a responsible and genuinely sustainable player in the fashion industry.

Conclusion

If the greenwashing allegations are proven to be true following EBS's internal review it will be important for the board of directors to understand and prepare for the potential impact for EBS, as the board may look to implement some or all the steps outlined by way of mitigation.

Marking scheme

- (i) Up to 2 marks for relevant points to assess the impact on EBS if greenwashing allegations are true. Up to a maximum of 10 marks. Maximum of 1 mark if the point is relevant but not applied to EBS. Up to a maximum of 3 marks for generic points.*
- (ii) Up to 2 marks for relevant points to help the EBS board mitigate the impact of this outcome. Up to maximum of 8 marks. Maximum of 1 mark if the point is relevant but not applied to EBS. Up to a maximum of 3 marks for generic points.*

Maximum of 16 marks in total for 2a.

Professional skills may be additionally rewarded as in the following rubric:

| How well has the candidate demonstrated professional skills as follows: | Not at all | Not so well | Quite well | Very well | Excellent |
|---|--|---|--|---|---|
| Scepticism skills in challenging the board assumption in relation to the greenwashing allegations by helping them to understand the impact for EBS if the allegations are found to be true. | The candidate has failed to challenge the board assumption that the allegations are false. | The candidate has provided a limited challenge to the board assumption by providing a few suggestions on the possible impact for EBS if the allegations are true. | The candidate has made a reasonable challenge to the board assumption and provided a limited assessment on the impact for EBS if the allegations are true. | The candidate has provided a clear challenge to the board assumption by providing a clear assessment of the impact for EBS if the allegations are true. | The candidate has provided a rigorous challenge to the board assumption, and provided a clear assessment of the potential impact on EBS if the greenwashing allegations are true. |
| | 0 | 1 | 2 | 3 | 4 |

(b) BRIEFING PAPER

To: EBS board of directors

From: EBS senior business analyst

Subject: Governance role of Social Investment Partners (SIP)

Following the recent board meeting I have been asked to brief the board on the role of SIP in the governance of EBS. I will help to clarify the relationship between EBS and SIP in terms of agency theory and will then discuss ways that SIP may look to influence other institutional investors, with specific reference to the recent greenwashing allegations against EBS.

(i) Agency relationship between SIP and EBS

Agency theory explores the relationship and interactions between principals (shareholders or owners) and agents (board of directors / management). The theory aims to address the inherent conflicts of interest that may arise when the goals of principals and agents diverge. **(1 mark)**

In the context of SIP and EBS, SIP is the principal, representing the interests of its investors who have entrusted their funds to SIP as an institutional investor. The EBS board is the agent, who have been given the responsibility for managing the EBS's operations and making decisions on behalf of SIP as a significant shareholder. **(1 mark)**

Agency theory recognises that conflicts of interest can emerge between principals and agents due to differing goals, risk preferences, and information asymmetry. In this relationship, SIP seeks financial returns aligned with its sustainability and ethical investment criteria, while EBS aims to maximise shareholder value while balancing other operational considerations. **(1 mark)**

One of the key aspects of agency theory is the need for monitoring mechanisms and alignment of interests to mitigate conflicts. SIP monitors EBS's actions to ensure they align with the principles of responsible and sustainable investing. This monitoring may involve evaluating EBS's adherence to sustainability goals, ethical practices, and transparency. **(1 mark)**

Agency theory emphasises the importance of designing incentive structures to align the interests of principals and agents. SIP may use various mechanisms, such as executive compensation arrangements tied

to sustainability metrics, to incentivise EBS to prioritise responsible business practices. **(1 mark)**

Information asymmetry is another challenge addressed by agency theory. Principals may not have complete information about the agent's actions and decisions. In this case, SIP relies on financial reports, disclosures, and direct communication with EBS to obtain information about the company's performance and sustainability initiatives. **(1 mark)**

SIP may use its shareholder rights, such as proxy voting, to actively participate in key decisions. Shareholder activism allows SIP to voice concerns, propose resolutions, and influence corporate policies to ensure that EBS aligns with sustainable and ethical principles. SIP currently have 27% of the shares in EBS, which makes it the largest institutional investor, and therefore provides SIP with influence in its relationship with EBS. **(1 mark)**

In summary, agency theory provides a framework to understand and manage the relationship between SIP and EBS. It highlights the importance of aligning interests, implementing monitoring mechanisms, and fostering transparency to address potential conflicts and ensure the pursuit of sustainable and ethical business practices.

(ii) How SIP may influence other institutional investors in relation to the greenwashing allegations against EBS

SIP, as EBS's largest institutional investor, can influence other investors in relation to the greenwashing allegations against EBS through various strategic actions. Here are several ways SIP may use its influence.

Public statements

SIP can publicly express its concerns and position on the greenwashing allegations, emphasising the importance of ethical investing and the need for companies to uphold genuine sustainability practices. Public statements can serve to raise awareness among other institutional investors and the broader financial community. **(2 marks)**

Engagement Forums

Actively participate in industry forums, conferences, and engagement platforms where institutional investors discuss environmental, social, and governance (ESG) issues. SIP can use these forums to share its perspective on the greenwashing allegations, encouraging collaborative efforts to address such challenges. **(2 marks)**

Collaborative statements

SIP can collaborate with like-minded institutional investors to issue joint statements or open letters expressing shared concerns about the greenwashing allegations. Collective voices can amplify the impact of the message and encourage a unified response from the investor community. **(2 marks)**

Forming investor alliances

SIP can take the lead in forming alliances or coalitions with other institutional investors who prioritise ethical investing. Working together, these alliances can exert greater influence on companies, industry standards, and regulatory bodies to promote transparency and sustainability. As SIP holds 27% of the shares in ESB, they are in a strong position to form alliances with other institutions. **(2 marks)**

By taking these actions, SIP can effectively influence other institutional investors, fostering a collective commitment to responsible investing and encouraging a united stance against greenwashing in the fashion industry.

Marking scheme

- (i) 1 mark for relevant points discussing agency theory in the context of SIP and EBS. Up to a maximum of 7 marks. A maximum of 2 marks for generic points relating to agency theory.*
- (ii) Up to 2 marks for relevant points on how SIP may influence other institutional investors. Up to a maximum of 7 marks. Maximum of 1 mark if the point is relevant but not applied to EBS. Up to a maximum of 2 marks for generic points.*

Maximum of 14 marks in total for 2b

Professional skills may be additionally rewarded as in the following rubric:

| How well has the candidate demonstrated professional skills as follows: | Not at all | Not so well | Quite well | Very well |
|---|---|---|--|---|
| Communication skills in providing clear guidance to the EBS board regarding the governance position and influence of SIP. | The candidate has provided limited or no guidance to the EBS board. | The candidate has made a reasonable attempt at providing guidance to the EBS board, but it is not always clear and would be unsatisfactory for the EBS board. | The candidate has attempted to provide clear guidance to the EBS board, which should help, to some extent, in understanding the board's dealings with SIP. | The candidate has provided very clear guidance to the board to assist them in understanding their governance position with SIP. |
| | 0 | 1 | 2 | 3 |

(c) CONFIDENTIAL EMAIL

To: Louise Chen
From: EBS senior business analyst
Date: XXXX
Subject: Proposed closure of EBS stores

Hi Louise,

Following our recent meeting to discuss the proposed closure of six EBS stores, I have summarised below the consideration for how to account for the closures and discussed the potential closure of a further 8 stores that has recently been reported in the media.

Accounting for the closure of stores involves several financial considerations, including recognising and measuring the costs associated with closing stores, adjusting financial statements, and providing disclosures for stakeholders. Guidance is provided below for how EBS might account for the proposed closure of the six stores.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations states that immediately before classifying a disposal group as held for sale, the carrying amounts of the assets and liabilities within the group are measured in accordance with the applicable IFRS standards. **(2 marks)**

After classification as held for sale, disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Impairment must be considered both at the time of classification as held for sale and subsequently after classification. The six stores should be accounted for as a discontinued operation as they represent a component of EBS. **(2 marks)**

The approval and announcement of a plan to close the six stores is an indication that the assets attributable to the discontinuing operation may be impaired. In addition, the six stores would be classified as a 'disposal group' which is a group of assets that, an entity intends to dispose of in a single transaction. The measurement basis required for non-current assets classified as held for sale is applied to the group, and any resulting impairment loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36. Additionally, there may be a need to provide for the additional costs of closure such as redundancy costs, under IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*. **(2 marks)**

At the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired, i.e. its carrying amount may be higher than its recoverable amount. IAS 36 has a list of external and internal indicators of impairment. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. Whenever there is an indication of impairment, the entity estimates the recoverable amount of the asset and records an impairment if the recoverable amount is lower than the carrying amount. **(2 marks)**

Although there has been rumours in the media that EBS is to close a further 8 stores in the coming months, there has been a public denial by the EBS board, although you had intimated during our meeting that this may still be a possibility. Until there has been formal plans drawn up to close the additional stores there should be no provisions made for the stores potential closure and loss of jobs. It is feasible that the closure of the additional 8 stores will not take place, and there is no constructive obligation unless there is at least a detailed formal plan. **(2 marks)**

If you require any further information or have any questions, please do let me know.

Regards
Senior business analyst

Marking scheme

- *Up to 2 marks for relevant points in relation to the accounting treatment of the six stores to be closed. Up to a maximum of 8 marks. A maximum of 1 mark if the point is relevant but not applied to EBS. Up to a maximum of 3 marks for generic points.*
- *Up to 2 marks for a relevant comment in relation to the reported closure of a further 8 stores.*

Maximum of 10 marks in total for 2c.

Professional skills may be additionally rewarded as in the following rubric:

| How well has the candidate demonstrated professional skills as follows: | Not at all | Not so well | Quite well | Very well |
|--|---|--|--|---|
| Analysis skills in identifying the appropriate accounting treatment and reporting of the store closures for EBS. | The candidate has failed to provide any clear guidance regarding the proposed accounting treatment and reporting of store closures. | The candidate has attempted to provide guidance to EBS, but it is unclear as to the required accounting treatment and reporting. | The candidate has made a reasonable attempt to provide a clear analysis for EBS in relation to the accounting treatment and reporting of the store closures. | The candidate has provided a comprehensive analysis that clearly demonstrates the accounting treatment and reporting of the store closures. |
| | 0 | 1 | 2 | 3 |