

ICMAP Pathway exam

Thursday 13 June 2024

Time allowed

4 hours including reading, planning and reflective time.

This question paper is an integrated case study with two questions containing a total of 100 marks and ALL questions must be completed.

All questions contain professional skills marks which are included in the marks shown.

Do NOT open this question paper until instructed by the supervisor.

You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

Paper 1PE

ACCA

Think Ahead

The Association of
Chartered Certified
Accountants

1 Company background

Personal Education (PE) is an education provider in Vanland that was created in 2004 by William Clayton to provide “business education”; classroom-based courses that prepare students for qualification and membership of professional bodies within the accounting and business sector. PE’s courses are designed to meet the global syllabus requirements for each professional body.

PE has built a reputation for delivering high-quality face-to-face teaching and offers a range of part-time and intensive courses in the subject areas of accountancy, law, human resources, and marketing. Most PE students (72%) are individuals who contract directly with PE, and then claim course fees back from their employers. PE’s remaining customers (28%) are large employers who negotiate an annual contract with PE for the delivery of business education for their employees.

PE is the market leader in business education within Vanland and is best known for its experienced staff, its relevant teaching materials, and a successful track record of exam success by PE students (with an average pass rate of 78%). Face-to-face teaching is central to PE’s approach to business education. All students attending a PE course receive printed, workbooks and reading materials to guide their learning for the duration of their course. The average class size at PE is 35 students.

New technology

In recent years the business education sector has witnessed rapid advancement in online education technologies. This disruption has led to shifts in student preferences, with a growing demand for more flexible and self-paced learning experiences. New entrants to the business education market have attracted students by providing convenient, accessible, and interactive digital content. William has, somewhat reluctantly, now recognised the need to adapt to this changing landscape to maintain PE’s future competitiveness.

Trent Lawson Institute (TLI) is a new entrant to the business education market, with a strong emphasis on the use of technology. TLI provides online only programs, offering the same range of courses as PE, but also a range of other personal and professional development courses aimed at the young professional market. TLI has been a pioneer in using the latest online education technologies and collaborates with technology companies to ensure that its programs use the latest innovations. PE is aware that some of its students have recently switched to TLI.

Exhibit 1 provides a brief description of the major online education technologies being used by TLI and other new entrants to Vanland’s business education market.

Strategy day

In response to the threat from TLI and other competitors, William invited his senior management team (SMT) to a strategy day to consider the future for PE, and particularly on ways to utilise the new technologies into PE's course delivery and business operations.

During the strategy day, the SMT acknowledged that the success of any new strategic direction will depend on the readiness and adaptability of PE's teaching staff and agreed that PE will need to invest in staff development programs to help equip its staff with the necessary knowledge and skills to make more effective use of technology in their teaching methods.

The SMT was similarly committed to maintaining PE's student-centric approach, by ensuring that the integration of any new technology enhances rather than replaces the personal touch that students value in PE's classroom-based courses. In a recent survey of PE's students, 85% of respondents ranked face-to-face teaching as "very important" to their learning experience.

The SMT also recognised that while PE has traditionally focused on students in Vanland through its 12 regional teaching centres, a new strategy that embraces greater use of technology, will allow PE to explore opportunities to expand its reach globally. This expansion, again however, should still align with PE's commitment to providing high-quality education to its students, but to a more diverse and international student population. One member of the SMT expressed a note of caution, however, by questioning the ability of PE to provide its current education standards to a similar level in an online environment.

At the end of the strategy day, William asked the SMT what success would look like in the future, if PE managed to successfully integrate the new online education technologies into its range of courses. William summarised the responses into several critical success factors (CSFs). Exhibit 2 provides a summary of the CSFs identified, and it was agreed that these would provide PE with a clearer strategic direction.

The SMT all agreed that PE remains a successful and respected education provider, and it does not wish to replicate the model that TLI and others have adopted, and therefore it should only incorporate new technologies if they can improve PE's course delivery, operations, and its overall competitive advantage.

At the end of the strategy day, William also gave a brief presentation to the SMT to explain the types of data analytics, as he feels that it may be beneficial for PE to introduce data analytics to support PE's new strategic direction. The SMT requested relevant examples on how data analytics may be applied at PE, and

how PE's use of data analytics may benefit students. William promised to email the managers with his response.

The slide on data analytics that William presented on the strategy day can be seen in Exhibit 3.

Strategic actions

The following actions were agreed by the senior management team following the strategy day.

- 1) To conduct an evaluation of the potential impact of the new online education technologies on PE.
- 2) To track progress against PE's new CSFs by identifying suitable key performance indicators (KPIs).
- 3) To analyse how data analytics may be applied by PE and how PE's use of data analytics may be beneficial to PE's students.

Internal advice

You are the Management Accountant reporting directly to William Clayton and you have recently met with William to discuss the actions following the strategy day. William would like your support to address each of the three actions.

The following exhibits provide information relevant to the requirements:

1. Major online education technologies now being used in Vanland's business education market
2. A summary of the proposed critical success factors (CSFs) following PE's recent strategy day
3. Slide presented by William Clayton to the PE senior management team

Exhibit 1: Major online education technologies now being used in Vanland's business education market

Online learning platforms

An online learning platform is a portal for education content and resources that offers a student everything they need in one place, including classes, resources, and opportunities to meet and chat with teachers and other students. The platform allows collaborative learning, through video conferencing, chat, and document sharing, thereby allowing students to work together in real-time on projects, assignments, and general discussions. It therefore enables students to learn at any time and from any location.

Adaptive learning systems

Adaptive learning systems use artificial intelligence (AI) to adjust the learning experience based on a student's progress, and their strengths and weaknesses. It tailors the content and the assessments to individual learning styles and provides a more personalised learning experience.

Virtual reality

Virtual reality technologies create a simulated environment and can enhance practical and hands-on learning, allowing students to experience scenarios that may not be feasible in a traditional classroom setting. Virtual reality is increasingly being used to allow students to engage with content in three-dimensional spaces. This is particularly valuable for disciplines such as science, medicine, and engineering, but has not yet been explored fully for the business environment.

Gamification and edutainment

Gamification incorporates game situations into education content to increase student engagement. Gamification elements, such as badges, leader boards, and game-like scenarios, can also be integrated into education platforms. Edutainment combines education and entertainment and is becoming a trend within the wider education market. It uses video games, television programmes, and other materials, with the intention to be both educational and enjoyable for the learner. This approach makes learning more interactive, dynamic, and fun, and therefore more appealing to the preferences of modern learners.

Mobile learning

Mobile learning refers to the use of mobile devices such as smartphones and tablets for learning purposes. It uses the portability of mobile devices to provide learners with access to education content anytime and anywhere.

Learning analytics

Learning analytics helps education providers, by using data analysis to gain insights into student behaviour and performance. The goal is to understand, and thereby

optimise, the learning and teaching process. Providers can use this data for decision making, identify at-risk students, and improve the overall learning outcomes and student experience.

Exhibit 2: A summary of the proposed critical success factors (CSFs) following PE's recent strategy day

Proposed CSFs to guide PE's future strategic direction:

1. Adaptation of technology

To successfully integrate online education technologies - as disruptive technologies continue to reshape the business education market, PE must seamlessly incorporate these technologies into its course delivery and business operations to stay relevant and competitive.

2. Student engagement and retention

To provide interactive and engaging content, personalised learning experiences, and effective student support services - with the increase of online education, keeping students engaged and ensuring they complete their courses are essential for the success and reputation of PE.

3. Industry relevance

To consider how technology can be incorporated into course design, to align with professional bodies and industry trends - to produce young professionals who are well-prepared for the workplace, PE must ensure its programmes remain aligned with the evolving needs and syllabus of the professional bodies.

4. Quality of teaching

To ensure that teachers understand the latest technologies and encouraged to apply them within their courses - the effectiveness of the education experience heavily relies on the competence and adaptability of PE's teaching staff.

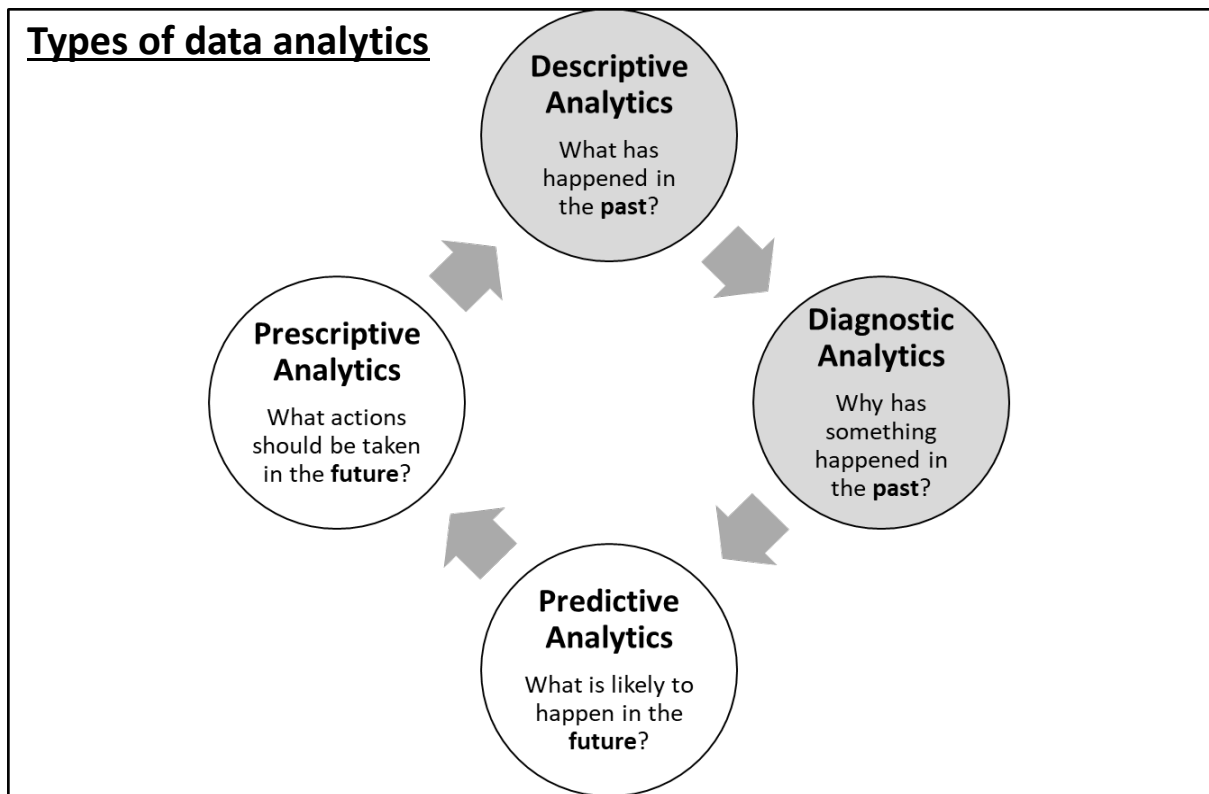
5. Global reach

To successfully expand PE's reach globally through online education - with the increasing demand for online learning, reaching a wider and more diverse student population is critical for PE's future success.

6. Data-driven decision-making

To utilise data-driven insights to make informed decisions - data-driven insights are crucial for understanding the effectiveness of PE's strategies, and for identifying areas for improvement.

Exhibit 3: Slide presented by William Clayton to the PE senior management team



Required:

- (a) **Prepare a report to the PE senior management team that evaluates the potential opportunities and risks for PE in adopting the new online education technologies identified in Exhibit 1. Your response should focus on the opportunities and risks for PE as a company, rather than for each technology.**

(16 marks)

Professional skills marks are available for demonstrating *evaluation* skills in assessing the implications for PE of adopting new online education technologies.

(4 marks)

- (b) **Prepare a briefing paper to PE's senior management team which recommends with justification, one key performance indicator (KPI) for each critical success factor (CSF) proposed in Exhibit 2, in order to track the progress of the achievement of each CSF in guiding PE's strategic direction.**

(12 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in recommending and justifying suitable KPI's that will enable PE to track the progress of the achievement of its critical success factors.

(3 marks)

- (c) **Prepare an email for William Clayton to forward to the SMT, that refers to the types of data analytics presented in Exhibit 3, and analyses:**

- (i) **relevant examples of how each type of data analytics may be applied at PE; and**

(8 marks)

- (ii) **how PE's use of data analytics may benefit PE's students.**

(4 marks)

Professional skills marks are available for demonstrating *analysis* skills in considering how PE may use data analytics and how it may be beneficial to PE's students.

(3 marks)

(50 marks)

2 Company background

EB Style (EBS) was founded in 2004 by an entrepreneur named Emma Bancroft. Emma, a passionate supporter for sustainable living, aimed to create a brand that combined style with a strong commitment to environmental responsibility. EBS started as a small retail store, in its home country of Shapland, offering a limited range of clothing items, but Emma's vision for EBS proved popular with customers who were increasingly concerned about the environmental impact of fast fashion (the trend for low priced, yet stylish, clothing designed to be sold for a short period of time). This led to steady growth for EBS and the launch of ten retail stores during its first ten years of operation in Shapland.

EBS gained attention in the fashion media for being one of the first brands to incorporate sustainable materials such as organic cotton and recycled polyester, and in 2014 the company announced the achievement of carbon-neutral operations by implementing energy-efficient practices (through its use of new packaging materials, efficient transportation, lean manufacturing processes, and store design) and investing in renewable energy sources for its manufacturing facility and stores.

Between 2014 and 2018 EBS experienced a period of global expansion, by opening a further twenty stores, outside Shapland, in key markets and collaborating with renowned designers to enhance its sustainable fashion offerings. In 2019 EBS became a listed company on Shapland's stock exchange, and raised additional capital to fund further expansion and help solidify its position as a leader in sustainable fashion.

After its public listing EBS initially enjoyed strong financial performance, but more recently EBS has faced financial challenges. Although EBS has managed to maintain its revenue growth, there has been a notable decline in EBS's profit margins. Emma attributes this to the increasing costs associated with both sustainable manufacturing practices and the use of environmentally friendly materials. EBS's share price, which had experienced steady growth since its listing, has also begun to fluctuate as the sustainable fashion market became more competitive, following the emergence of new sustainable fashion brands.

Greenwashing allegations

In March 2024 a newspaper journalist published an investigative report that alleged greenwashing practices at EBS. Greenwashing is the process of conveying a false impression or misleading information about how a company's products are produced, and often involves making claims to deceive consumers into believing that a company's products are environmentally friendly or have a greater positive environmental impact than they do.

The report argued that EBS exaggerates its environmental initiatives, thereby creating a false impression of its overall sustainability. Specific accusations made in the report include:

- Misleading labels - EBS is accused of using vague and misleading labels on its products, giving customers the impression that they are more sustainable than they are. For example, using labels to suggest some form of certification, which gives the impression of third-party validation of a product's sustainability.
- Supply chain issues - the investigation suggests that EBS's supply chain might not be as transparent and environmentally responsible as advertised. Some of EBS's suppliers reportedly engage in practices that do not meet the brand's sustainability claims.
- Limited transparency - EBS is criticised for not providing sufficient transparency regarding its sourcing practices, making it challenging for consumers and investors to assess the true environmental impact of its products.

The media attention resulting from the report on EBS has led to a drop in EBS's share value, and EBS has faced a customer backlash with a drop in sales.

The EBS board consists of Emma, as the Chief Executive Officer (CEO), and five further non-executive directors (NEDs), including the chair, Louise Chen. The board have privately dismissed the allegations as they believe them as false, and Emma has reassured the board that there is no evidence to support the claims made in the report. In response to the allegations, the EBS board released a public statement acknowledging the concerns and promising a thorough internal review.

Institutional investors

Since the publication of the newspaper report, institutional investors are increasingly concerned about EBS's sustainability practices, with some threatening a divestment from EBS and others expressing their discontent through media statements.

The institutional investors cite ethical concerns regarding EBS's reported practices and they argue that such issues, if proven, may pose risks to EBS's longer-term future. The greenwashing allegations have already caused reputational damage to EBS, and institutional investors are now wary of being associated with a brand facing such negative publicity. Some institutional

investors have warned EBS to review, and potentially change, its practices before they consider re-engaging with EBS.

Exhibit 1 provides a profile of EBS's largest institutional investor – Social Investment Partners (SIP) – including its reasons for originally investing in EBS and its concerns regarding the greenwashing allegations.

Store closures

In May 2024, and in response to its increasing costs and declining margins, the EBS board announced the decision to close six of its global retail stores by 31st July 2024. The decision forms part of a plan aimed at addressing EBS's future financial challenges and closing several underperforming stores is seen as a proactive measure and allows EBS to redirect resources toward improving its sourcing of sustainable materials and its manufacturing practices. The EBS board has started an active search for a single buyer for the six stores.

The fashion retail landscape continues to change rapidly, with a growing emphasis on e-commerce and changing consumer preferences, and closing some physical stores also allows EBS to adapt by investing in its online presence, which is currently a basic website which simply provides customers with product information, in the form of an online catalogue.

Following the closure announcement, rumours are now circulating in the media that EBS may need to close an additional eight stores, across both Shapland and globally, in December 2024. These rumours appear to be due to concerns about EBS's overall financial health following the greenwashing allegations. The EBS board has publicly denied these rumours, although in a recent meeting with Louise Chen, Emma stated that further closures may well be a possibility if EBS's financial pressures do not ease over the coming months.

Louise would like to understand the reporting requirements in EBS's financial statements regarding both the planned closure of six stores and the potential closure of a further eight stores.

Advice and guidance

You are a senior business analyst, and qualified accountant, working at EBS, and you have been asked to provide guidance to the EBS board of directors regarding the greenwashing allegations.

You recently attended an EBS board meeting, to be briefed on the latest position regarding the allegations, and following the meeting the Chair of the board also took the opportunity to speak with you in confidence regarding the planned and proposed store closures.

The following exhibit provide information relevant to the requirements:

1. Profile of Social Investment Partners (SIP)

Exhibit 1: Profile of Social Investment Partners (SIP)

Investment background

SIP is an institutional investor known for its focus on environmentally and socially responsible investments. The firm specialises in supporting companies that prioritise sustainability, ethical practices, and positive social impact. SIP has a diverse portfolio across various industries, with a significant emphasis on the fashion and retail sector.

SIP became an investor in EBS following EBS's initial public offering in 2019. The decision to invest in EBS aligned with SIP's mission to support businesses committed to sustainable practices and reducing their environmental footprint.

EBS's emphasis on sustainable materials, carbon-neutral operations and ethical sourcing aligned with SIP's investment criteria. At the time of the investment, EBS was perceived as a market leader in sustainable fashion, enjoying positive customer sentiment and strong financial performance. SIP valued EBS's long-term outlook, viewing the company as a potential leader in the fashion industry and a model for integrating sustainability into mainstream retail.

SIP is the largest institutional investor in EBS and currently owns 27% of its shares.

Reaction to greenwashing allegations

Upon learning about the greenwashing allegations against EBS, SIP reacted with concern and disappointment. SIP issued a brief public statement:

“SIP takes the allegations seriously and emphasises the need for EBS to address the alleged issues transparently and decisively. SIP sought immediate engagement with EBS's board to gain insights into the company's response. SIP communicated to the Chair of the board on the importance of swift and substantial action, if required, to rectify the situation.”

“While SIP has not immediately divested from EBS, the option is under consideration pending the outcome of the company's internal review and the steps taken to address the allegations. Any consideration for re-engagement with EBS would depend on the sincerity and urgency of the company's efforts to rectify any potential issues and continue to uphold genuine sustainability practices.”

SIP continues to monitor the situation and remains open to a constructive dialogue with the EBS board.

Required:

(a) Prepare a report for the EBS board of directors that:

(i) assesses the impact for EBS if, following the internal review, the greenwashing allegations are found to be true; and

(8 marks)

(ii) advises the board on how they may mitigate the impact of this outcome.

(8 marks)

Professional skills marks are available for demonstrating *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.

(4 marks)

(b) Prepare a briefing paper to EBS's board of directors that:

(i) discusses the agency relationship between SIP and EBS; and

(7 marks)

(ii) discusses how SIP may influence other institutional investors of EBS in relation to the greenwashing allegations against it.

(7 marks)

Professional skills marks are available for demonstrating *communication* skills in providing clear guidance to the EBS board regarding the governance position and influence of SIP.

(3 marks)

(c) Prepare a confidential email to the chair of the EBS board that advises how EBS should account for the proposed closure of the six retail stores and the potential closure of a further eight stores.

(10 marks)

Professional skills marks are available for demonstrating *analysis* skills in identifying the appropriate accounting treatment and reporting of the store closures for EBS.

(3 marks)

(50 marks)

End of question paper