

Strategic Level Case Study – Interim Examiner’s report

November 2024 – February 2025 exam session

The purpose of this document is to give some feedback on the November 2024 Strategic Case Study (SCS). It also aims to provide some useful advice for candidates preparing to re-sit this exam in February 2025, which will be based on the same pre-seen. It should be borne in mind that none of the unseen information introduced in November 2024 will be relevant to February 2025.

The full set of post-exam materials (applying to both November 2024 and February 2025), including the full examiner’s report, along with model answers, variants and marking schemes, will be available 2 weeks after the February 2025 exam results are released.

General comments

This case study was based on a pre-seen scenario which described Rotomyne, a quoted company that mines lithium and sells to manufacturers who use lithium in several products including rechargeable batteries.

The pre-seen document was made available in advance, describing the lithium mining industry and the operation of Rotomyne within that industry.

Candidates were expected to reflect information provided about Rotomyne in their answers. There was evidence of candidates having studied the pre-seen and incorporating the information obtained in their understanding of the scenarios in the unseen material.

The following comments were noted by the marking team, in relation to the core activities:

<p>Develop business strategy</p>	<p>Cases frequently present candidates with a strategic opportunity or a strategic problem that must be overcome. There are models that can be applied in developing and justifying recommendations, but it should always be borne in mind that those models are generally used to provide structure in decision making and analysis. They cannot be applied without careful consideration of the scenario and the circumstances that the entity finds itself in.</p> <p>Level 3 answers both addressed the task requirements and answered in a manner that recognised the specific context of the strategic challenges facing Rotomyne. Study materials and syllabus content provides a context in which scenarios can be analysed, using models that have been shown to be relevant to such an analysis. Level 3 answers generally distinguished themselves by using relevant models to structure arguments, while reflecting the strategic issues that were emerging.</p> <p>Level 1 answers generally focussed on the models and content of study materials. Candidates should always use models to provide a structure for a response and should not rely on extended summaries of generic material. The case study is intended to place candidates where they are advising the Board on strategic matters. Senior managers are likely to expect professional accountants to make specific recommendations that reflect the setting in which the business operates.</p>
<p>Evaluate business ecosystem and business environment</p>	<p>Strategic management requires an understanding of the environment in which the industry and the entity operate. Candidates must understand the environment because it can affect the suitability of potential strategic changes. It may also be necessary to make changes in response to developments in the environment.</p> <p>Level 3 answers recognised the strategic issues associated with lithium mining. Rotomyne’s business ecosystem is complicated by the fact that its mining operations are potentially damaging to the environment and to stakeholders who are located in the host countries of its mines. There is further potential complication arising from the fact that demand for lithium depends on demand for the products that requires it as a material.</p> <p>Level 1 answers often overlooked the relationships that arise within the ecosystem or addressed those relationships in a simplistic manner. In many cases, such an approach failed to address the substance of the requirements.</p>

<p>Recommend financing strategies</p>	<p>Strategic decisions often involve changes to financial strategy. Financial decisions can be strategic in their own right. Financial management can be a complicated area that can create significant risks when illogical decisions are made. The Board must also be aware of the costs associated with decisions relating to finance because they can have a significant impact on shareholder wealth. Finance is an area of the syllabus that is particularly well supported with models that can be used to optimise decisions. Care must be taken to make appropriate use of those models.</p> <p>Level 3 answers reflected the issues arising from the scenario and made appropriate use of finance models to justify recommendations being made on investment or finance decisions arising from the case. Answers at this level were generally clearly written and demonstrated an understanding of the F pillar material rather than just an ability to recall content.</p> <p>Level 1 answers frequently failed to apply finance theories to the strategic decisions that were under consideration. The Board is unlikely to be impressed by a summary of a theoretical model if it is seeking a recommendation for a strategic financing decision. Some answers at this level demonstrated a poor understanding of the models themselves, which further undermined the quality of the recommendations being offered.</p>
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<p>Evaluate and mitigate risk</p>	<p>Risk management is generally regarded as a strategic issue, with boards being held accountable for identifying and controlling risk. Risk is impossible to eliminate entirely, and it can have an upside which suggests that it is not always desirable to eliminate it. It is, however, possible to understand risks and to appreciate how they can be best mitigated by the entity.</p> <p>Level 3 answers reflected the risks associated with operating internationally in mining a commodity for export to foreign customers. Lithium mining carries further risks because of the potential environmental harm that can result from both the extraction and the subsequent processing of ore. Level 3 answers generally recognised the specific risks arising from the scenarios and, where requested, offered suitable recommendations for the mitigation of those risks.</p> <p>Level 1 answers generally lacked clarity in the evaluation of risks, which tended to undermine the credibility of any responses being offered in mitigation of those risks.</p>
<p>Recommend and maintain a sound control environment</p>	<p>Managing the control environment is an important aspect of the Board's duties. A sound control environment generally implies that the Board has sufficient information to manage the entity effectively. It also implies that the managers, supervisors and staff at all levels are aware that they will be held responsible for any failure to comply with control procedures.</p> <p>Level 3 answers recognised the issues relating to Rotomyne's control environment, paying appropriate attention to the situation emerging from the scenario. Answers at this level tended to reflect the governance issues arising from Rotomyne's circumstances.</p> <p>Level 1 answers often offered generic recommendations to the issues arising from Rotomyne's control environment, paying limited attention to the nature of the business and the emerging problems raised in the scenario.</p>

Specific comments to candidates

The following hints and tips should be considered if you plan to sit the Strategic Case Study in February 2025:

Before the exam:

1. It is important to understand the subject matter in the syllabus. Clearly, it is necessary to read and reread study materials. Make sure that you understand the materials and how the ideas that they contain might be applied in practice. Recalling content might be helpful, but it is vital that you can take it one step further and apply it to solving problems.
2. Read and reread the pre-seen carefully. It will be available to you throughout the exam and so you can refer to it as and when you require, but it will save time if you can remember the broad issues raised. Tasks set in the SCS will not require detailed recall of the pre-seen, but it can be helpful to refer to particular facts about Rotomyne in your answers in support of your arguments.
3. Make sure that you can write credible answers to case study exams. There is no substitute for attempting past papers and preparing detailed answers. The more papers you attempt, the better you will become at interpreting and answering questions. You can review your answers by asking yourself whether you would feel comfortable in submitting your response to an issue to a director or senior manager.

During the exam:

1. Allocate your time effectively. Make use of the fact that the elements of each task have a percentage that enables you to reflect the number of marks that are available. If a requirement is worth 40%, then you should spend $40\% \times 60 = 24$ minutes on it before moving on.
2. Answer the question. That might seem obvious, but feedback from markers always highlights that as a problem for many candidates. In the SCS, the questions generally ask for responses that relate to the entity under consideration. If a question asks about a problem facing Rotomyne, then it will be necessary to reflect the information at your disposal from the pre-seen and from the unseen material in the question your answer. It is unlikely that you could pass the exam without properly revising the syllabus material, but you must apply that to the specific case.
3. Review the free resources available in the [CGMA Study Hub](#). These include a [re-sitters guide](#), [performance descriptors](#) and many more support articles.

4. If you are asked for a recommendation, then give one and justify it. You would expect to be challenged in the real world if your advice consisted of every possible response, with no indication of which was the preferred solution. Your recommendation may differ from the examiners', but you will still gain credit for your justification if it is relevant and credible.

Take care over the inclusion of real-world examples. You may be able to identify real mining companies or manufacturers who use lithium who face problems that are similar to those affecting Rotomyne and its customers. Reading about such businesses could help offer informed recommendations in your variant. Unfortunately, candidates often include irrelevant examples, which earns no credit and so wastes time that could have been better spent on developing the answer.

Good luck!