ACCA

# Strategic Business Leader (SBL) March/June 2026 Examiner's report

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for those sitting the exam in the future.

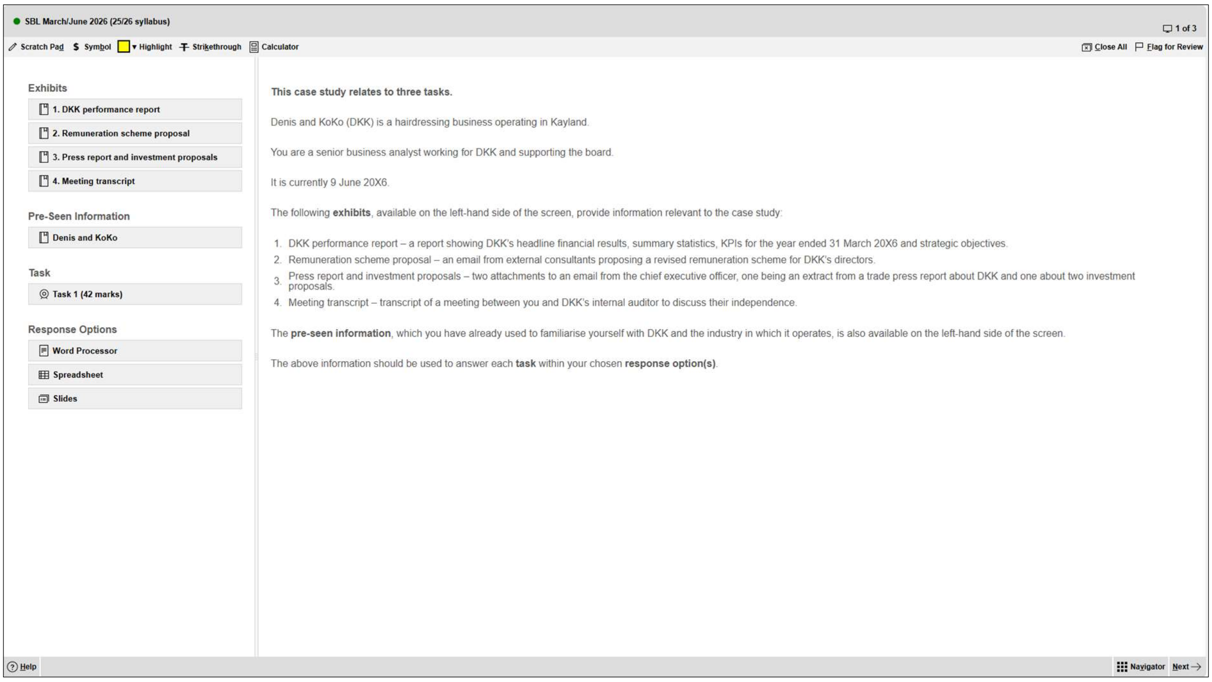
## Contents

## General comments

This examiner's report should be used in conjunction with the published March/June 2026 sample exam which can be found on the [ACCA Practice Platform](#).

In this report, the examining team provide constructive guidance on how to answer the various tasks set in the March/June exam, whilst sharing their observations from the marking process, highlighting the strengths and weaknesses of candidates who attempted these tasks. Future candidates can use this examiner's report as part of their exam preparation, attempting the exam tasks on the [ACCA Practice Platform](#) and reviewing the published answers alongside this report.

## Format of the exam




The examination consisted of a 3 hours and 15 minutes integrated case study exam, comprising three main tasks, about a fictitious company called Denis & KoKo (DKK), a hairdressing business. The candidate's role throughout the exam was that of a senior business analyst, working for DKK and supporting the board.

The marking scheme included 80 technical marks for the correct use and application of technical knowledge drawn from the Strategic Business Leader (SBL) syllabus. For every requirement, answers needed to be applied to the case context. Repetition of rote learned knowledge therefore attracted few, if any, marks.

In addition, the marking scheme included 20 marks for five professional skills. The specific skill being examined in the requirement should have been evident in how candidates answered the task, although candidates should have also drawn on other relevant skills when answering. When awarding professional skills marks, markers looked primarily at the professional skill being tested in the task requirement, but also considered the general professionalism that candidates demonstrated (which included whether answers answered the task set, were logical and well-presented and avoided unnecessary repetition). Markers also considered whether the tone of answers was professional and appropriate for the recipient.

As candidates take the exam on computer, they are strongly recommended to take mocks on the ACCA Practice Platform first, to gain experience of dealing with different types of exhibits and to estimate how much they can write in the time allowed. Candidates are strongly advised to assimilate all the guidance published by ACCA for SBL, including the articles, as the guidance can provide invaluable assistance when sitting the exam.

**Pre-seen information**

The pre-seen was divided into two discrete but integrated sections. The first section provided candidates with an overview of the hairdressing industry in the fictional country of Kayland. The second section provided further background about DKK, an established business in the hairdressing industry.

The pre-seen is designed specifically to allow candidates to establish a sound understanding of the industry and organisational context in the exam they will be taking. This should help them analyse and understand the exhibit information that is presented to them on the exam day.

Candidates should set aside time for careful reading of the pre-seen, so that they have a thorough knowledge of its contents and do not need to keep referring back to it during the exam, which will waste valuable time. Candidates should actively engage with the material in order to gain an understanding of the context in which the organisation operates. Factors to establish could include the following:

- Whether the organisation is recently formed or long-established
- Whether the organisation is small or large
- If the organisation is a company, whether it is listed or unlisted
- Whether the organisation is currently doing well or struggling
- Its place in its sector, including how it is responding to developments in the sector
- Its business model, and key elements of its business strategy
- The resources available to the organisation and whether these appear to be sufficient
- The ethical and corporate social responsibility (CSR) issues the organisation faces, and what values it has

Candidates must appreciate that the pre-seen information should not be used to 'question spot', however, as the tasks set in the exam are not based on information in the pre-seen. The pre-seen information is designed to assist candidates' overall understanding of the sector and the organisation, but it will not itself provide a full source for exam answers. The tasks on exam day will be focused primarily on the information contained in the exam exhibits. Candidates will be expected to use the exhibit information as the primary source for developing their answers.

Several issues in the June 2026 pre-seen had been identified as significant in online forums and publicly available reviews prior to the exam. As a result, some candidates incorporated discussion of these issues into their answers, particularly to Task 1(a), despite their lack of relevance to the task. This suggests candidates had preprepared for these issues being examined and so were determined to include them irrespective of the task requirements. Not all information in the pre-seen will be directly relevant to task requirements.

Of course, some information within the pre-seen will be useful to support points made in answers, but candidates should not copy and paste sections of the pre-seen into their answers. Candidates are expected to develop the information within the pre-seen and explain, for example, its relevance to the task being attempted.

Neither should candidates refer to the pre-seen by name in answers. Doing so undermines the professional tone expected in documents addressed to senior leadership who would not know the term.

On the exam day, the following four exhibits were presented to candidates, which provided additional information relevant to the case study:

1. DKK performance report. A report showing DKK's headline financial results, summary statistics and KPIs for the year ended 31 March 20X6 and strategic objectives
2. Remuneration scheme proposal. An email from external consultants proposing a revised remuneration scheme for DKK's directors
3. Press report and investment proposals. Two attachments to an email from the chief executive officer, one being an extract from a trade press report about DKK and one about two investment proposals
4. Meeting transcript. Transcript of a meeting between the senior business analyst and DKK's internal auditor to discuss their independence

A number of issues which have been noted in many previous examiner's reports occurred again in this sitting:

- Many candidates failed to answer the question as set. This was seen in various ways, particularly in Tasks 1(b) and 2(b). In Task 1(b) candidates were asked to evaluate a proposed directors' remuneration scheme but some discussed the proposal as if it applied to all staff in DKK, not just the directors. In Task 2(b) different change leadership styles (that could be adopted during implementation of a proposal by the CEO) was the object of the requirement verb and candidates should have organised their answers around change leadership styles. Instead, many answers were focused on the CEO's proposal, with leadership styles discussed, at most, incidentally. Mention of change within the requirement also resulted in some answers discussing Lewin's change process model, when careful reading of the actual requirement would have made clear that this was not required.
- Some candidates failed to make use of all the information given in the exhibits, particularly some of the statistics and KPI in Exhibit 1. This meant they did not explore the linkages between the information in the exhibit which resulted in brief answers that failed to analyse DKK's performance to sufficient depth or breadth.
- In many answers there was insufficient application to DKK's situation. In task 2(b) when candidates did discuss change leadership styles that could be adopted when implementing the CEO's proposal, the discussion was often generic and made little or no reference to the situation at DKK.

- Answers also often lacked depth of explanation. Although two marks were available throughout the exam for developed points, candidates often had few or no such points, meaning that they had to come up with more points earning single marks in order to pass. This was particularly noticeable on Task 1(b) where many candidates simply accepted, repeated or agreed with the suggestions in the remuneration scheme proposal.
- Copying and pasting pre-seen and exam exhibit information into answers with little or no attempt to add value was a problem on several occasions, including in Task 1(b) as noted above. Candidates reproduced extracts from Exhibit 3 in their answers to Task 2(a) and from Exhibit 4 in their answers to Task 3 but did not comment further or expand on why the extract was a benefit or problem (in Task 2(a)) or a threat to independence (Task 3).

Candidates are strongly advised to take note of these poor approaches to the SBL exam and to make deliberate and concerted efforts to avoid them, both in their question practice prior to the exam and in the exam itself.

Most candidates appeared to have read the pre-seen information. They seemed to have assimilated the important points in it, with the result that they could use detail given in the pre-seen to provide context for their answers.

The best answers demonstrated good understanding of the information available in the exhibits and pre-seen. They used it as the basis for producing well-developed answers that applied to DKK's situation. They also demonstrated analysis, evaluation and commercial acumen skills across their scripts, showed scepticism where necessary, and produced answers that were clear and logically structured.

Some candidates did not appear to have read the SBL guidance, articles and other resources on the ACCA Global website, including the examiner's reports. In particular, they failed to consider the articles on Financial analysis in Strategic Business Leader, which would have been helpful for Task1(a), and Internal audit, which would have been helpful for Task 3. Making use of the resources is an important part of exam preparation.

**Analysing the exhibits**

The availability of the pre-seen information should mean that candidates are familiar with the context of the industry and organisation before the exam date. Nevertheless, they need to spend sufficient time in the exam reading and understanding the additional information given in the exhibits. At the start of the exam, candidates should note the requirements of each task and keep these requirements in mind whilst reading carefully all the information in the exhibits, as this will help them identify which tasks draw on which exhibit material. Candidates need to remember that material from more than one exhibit may be relevant when answering each individual task. In this exam, for example, information from Exhibits 1 and 3 was needed to answer Task 1(a).

Candidates are recommended to spend the first 30 minutes of the exam reading and analysing the exhibit material.

The exhibits:

- Provide the material which underpins the applied points that candidates should be making
- Include necessary background information and explanation to provide context to candidates' answers
- Help candidates to decide how to structure their answers
- Highlight the most important issues that answers should cover

As already suggested, some answers failed to make enough use of the material in the exhibits. However, candidates must do more than reproduce or restate material in the exhibits. To score marks, they must comment on the information or develop further the points raised.

**Planning**

Candidates must spend sufficient time on planning, to ensure that their answers are:

- Structured logically, in line with the precise requirement of the task
- Balanced in terms of the depth of discussion required with the breadth of different points to be made
- Covering the most important points relevant to the task's requirements
- Not padded out with material that does not address the task's requirements
- Not making the same point two (or more) times

When sitting the exam, candidates may find it useful to copy and paste the task requirements into the word processor answer area. They then do not need to keep looking at the task tabs. This may help them to remain more focused on the tasks as they answer them. Any copied requirements should be deleted after the task is answered or clearly separated from the answer, however, to ensure they do not impact the professionalism of the candidate's answer.

**Time management**

There was no significant indication that many candidates had run out of time or stamina during this exam. This suggests most are managing their time carefully. Candidates are strongly recommended to attempt mock exams under full exam conditions before the actual exam, to get used to the demands on concentration, effective reading, planning, thinking, and writing that the SBL exam requires.

As a guide, if candidates use the first 30 minutes of the exam time to read and assimilate the exam exhibits and tasks and produce an outline plan, this leaves 165 minutes (2 ¾ hours) to produce answers to all three tasks. On this basis, the 2 ¾ hours should have been allocated in relation to the marks assigned to each task (including professional skills marks) as follows:

| | | |
|---|---|---|
| Task 1(a) | 22 marks | 36 minutes |
| Task 1(b) | 20 marks | 33 minutes |
| Task 2(a) | 24 marks | 40 minutes |
| Task 2(b) | 14 marks | 23 minutes |
| Task 3 | 20 marks | 33 minutes |

Adopting this approach ensures candidates have sufficient time to attempt every part of every task, thereby giving them the best chance of passing the exam.

Candidates should also be aware that time can be poorly used in the SBL exam by:

- Including material not asked for in the actual task requirements. For example, in Task 1(a) some candidates wasted time discussing solutions to DKK's poor performance, which was not part of the task's requirements.
- Writing elaborate and lengthy plans. This results in too little time to produce meaningful and complete answers
- Making the same point more than once in slightly different ways. Markers will not give additional marks for points which are repeated or re-stated, even if they are slightly reworded.

**Reasons for exam failure**

In most cases, those candidates who failed this exam did so because of:

- Not answering the task that has been asked
- Wasting time by including irrelevant content
- Not applying the DKK case scenario information to the points made
- Failing to develop points made (that is, not considering the implications of a point, or not explaining fully why the point was relevant/important in the context of the task requirements)
- Copying and pasting exhibit and pre-seen information into their answer, or paraphrasing it, but then failing to comment on this information or develop it to answer the task requirement
- Demonstrating poor analysis skills (that is, an inability to select, and then appropriately use, relevant information to answer task requirements)
- Demonstrating a poor level of technical knowledge. Candidates should appreciate that any area of the SBL syllabus could be examined
- Failing to respond to the requirements in a professional manner

When candidates did address the requirements of a task, they generally answered the whole requirement. However, there were too many examples across the exam of candidates not focusing on answering the requirement which had been asked. This was particularly the case in Task 2(b), as has already been mentioned. This demonstrates poor exam technique and should not be expected of candidates at Strategic Professional level. In a professional workplace, candidates would be expected to perform the specific task required by their manager, and so would have to listen carefully to, or read thoroughly, any instructions given. The same attention should therefore be applied to task requirements in the SBL exam.

**Technical marks**

Demonstration of technical knowledge or explanation of theory does not score marks in the SBL exam. To gain each technical mark, candidates need to:

- Make points that directly address the requirement(s) of the task, considering the scope of answer required and what the task verb indicated should be provided
- Show the marker why the points being made are significant/relevant to DKK and the context of tasks requirements
- Consider issues that are specific to the choices, decisions or requests for advice detailed in the task requirement

Generally, up to two marks are available for a well-developed point made. However, candidates are reminded that two marks will only be awarded when the candidate successfully identifies/explains a relevant point and then develops this point by:

- Evaluating how significant the point is
- Using the information provided that relates the point directly to the organisation
- Explaining the consequences for the organisation
- Supporting the point made with relevant examples from the case material

A failure to develop points was sometimes apparent in this exam but particularly in task 1(a), where analysis of results was superficial.

Some candidates continued to copy and paste exhibit information into answers with little or no attempt to add further value to the information. Copying and pasting was most evident on:

- Task 2(a), where candidates repeated information from the proposals in Exhibit 2 without making any attempt to explain why the copied material was a benefit or problem
- Task 3, where candidates reproduced extracts from the meeting transcript in Exhibit 4, without explaining why these extracts illustrated the threats to the internal auditor's independence. Many candidates did not even change the 'I' (used by the internal auditor in their answers to questions in the exhibit) to 'the internal auditor' when they pasted in the extracts.

Candidates should be aware that copied material, if further value is not added, will not be awarded a mark.

Candidates who presented purely generic answers were awarded limited marks. This sometimes occurred in answers to Task 2(b) where candidates considered generic advantages of change leadership styles without applying those advantages to the particular change being considered. Candidates must avoid producing answers that merely repeat SBL syllabus knowledge or theory without making any attempt to apply this knowledge to the exam context. They must focus instead on answering the specific task set.

**Professional skills marks**

Many candidates had clearly thought about how to earn professional skills marks and attempted to present their answers in the appropriate format, as requested in each task requirement.

Whatever the format required by the task, the recipient will be helped by an answer that is presented and structured clearly, with headers throughout the answer. Candidates should remember that they are carrying out a professional task that has a particular purpose, in this exam acting as a senior business analyst, serving the needs of DKK's management.

Candidates must read the technical and professional requirements together, as this will assist them in producing their answers as asked, in the correct style and tone and with the correct level of professionalism. As already noted, some candidates did not answer the task requirement in Task 2(b) and hence failed to refer to any change leadership styles. As well as the task requiring candidates to 'assess change leadership styles', the professional skills requirement was for candidates to ‘clearly inform the CEO of change leadership styles’. Any misunderstanding of the technical requirement would have been removed if candidates had considered the professional requirement at the same time.

Candidates are reminded that using questions is not how to demonstrate scepticism. Tutors should also make this clear to their students. On Task 3, where the professional skill was scepticism, markers commented that although the proportion of candidates who used questions was lower than in previous exams, some were still using this approach. No marks will be awarded for it.

## Task 1

The finance director (FD) has provided you with DKK's performance report for the year ended 31 March 20X6, which the board will review at its next meeting. In preparation for the meeting, the FD has asked for your assistance in assessing the financial results, summary statistics and key performance indicators (KPIs) in the context of the company's strategic objectives.

**(a) Prepare a report for the FD which assesses the performance of DKK in the 12 months to 31 March 20X6 in the context of the company's strategic objectives, explaining the potential reasons for, and implications of, the results.**

(18 marks)

Professional skills marks are available for demonstrating *analysis* skills in considering the information provided and reflecting on the potential reasons for, and implications of, the results.

(4 marks)

The chair commissioned an external consultancy to recommend a revised remuneration scheme for DKK's directors to ensure there is a skilled and committed board capable of delivering DKK's strategic objectives. He has asked for your help in reviewing the proposed scheme.

**(b) Prepare a report for the chair which evaluates the consultants' proposed directors' remuneration scheme, considering its potential effects on achieving DKK's strategic objectives, and recommends any changes needed.**

(16 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in showing insight and perception in understanding the potential effects of the proposed remuneration scheme on achieving DKK's strategic objectives.

(4 marks)

**Total Task 1 = 42 marks**

**Task 1(a)**

**Technical marks**

Candidates needed to make use of Exhibit 1, DKK's performance report, and the information in Exhibit 3 about Swirls, staff numbers and the closure of salons.

Answers to this task tended to be better than those to performance analysis tasks that have been set in the past and some candidates provided excellent answers, scoring very high technical and professional marks.

Better answers were structured around the four strategic objectives, as suggested by the task requirement wording, and considered whether those objectives had been achieved by correctly calculating the change in the relevant financial result or KPI. They then went on the explain the reasons and implications for the changes in the results by successfully using a wide range of the information in Exhibit 1 and demonstrating that they understood the links between the financial results, statistics and KPI and the relevance of the information in the note. For example, the reduction in training hours was linked to the cost reduction activities and to the reduction in staff satisfaction, and the reduction in staff satisfaction was linked to the level of staff turnover, which was linked to client retention.

Weaker answers were often unstructured. They were brief and limited to a basic assessment of whether strategic objectives had been met. Many candidates' analysis lacked depth or breadth because they considered just a few of the results, statistics or KPI in isolation and they did not or could not comment on the links between the various information provided in the exhibit, despite the industry-specific KPI having been explained in the pre-seen. They tended to make very simple statements or quoted percentage increases or decreases but offered no discussion of what that meant. No marks were awarded for calculations alone. The finance director for whom the answer was prepared would have been able to see for themself that there had been an increase or decrease and therefore this level of depth to answers was simply not appropriate to score pass marks.

Most candidates did comment on whether the strategic objectives had been achieved but some provided no evidence to support this and hence earned no marks. There were some who made no comment on the strategic objectives, despite this being clearly flagged in the task requirement. Candidates are advised to spend time reading the task requirement slowly, a number of times, so that they do not miss key information.

The percentage change in revenue was calculated correctly by nearly every candidate, and most were able to provide one reason, albeit sometimes a weak one, for the decrease. Better candidates recognised that the main driver for revenue was appointment hours booked and that a fall in line with the reduction in the number of hairdressers should have been expected. Weaker candidates attributed the change in revenue to the lower number of salons, failing to recognise that the revenue per salon had increased. Some candidates may not have read all the exhibits before attempting this task, as is recommended, and so had not picked up from Exhibit 3 that performance of the two salons that were closed was likely to be suffering due to competitive threats and so their contribution to overall revenue was likely to be limited.

Most candidates noted the drop in retail revenue per appointment hour, but many were unable to articulate clearly reasons or implications. Few used information in the pre-seen to explain that the fall was part of an ongoing trend as the 6.2% proportion of total revenue from retail sales had yet again not been met. Likewise, recognition that sales revenue per appointment hour booked had increased despite the fall in revenue was missing from most answers.

Some of the weaker performing candidates demonstrated a worrying lack of basic understanding of financial information. Weaker candidates struggled to assess profit and margin. Some assumed a fall in margin meant increasing costs (whereas costs had fallen, which could have been calculated from the revenue and profit figures provided in the exhibit). Others realised costs had fallen but concluded this had led to profit falling. Most candidates failed to recognise the fall in profit was mainly driven by revenue and management's attempts to reduce costs was only partially successful as costs per salon had increased.

In addition, a surprisingly large number of candidates confused profit margin and profit. They compared the percentage change in profit to the target margin in the strategic objective and so were unable to comment correctly on DKK's performance in the context of its profit margin strategic objective. The calculation of profit margin is assumed knowledge at Strategic Professional level and candidates must know how to calculate this and other basic ratios. Candidates are advised to read the article Assessing organisation performance on the ACCA website if they need reminding of the calculations.

The assessment of staff satisfaction and client retention was better than the assessment of profit margin, with many candidates correctly linking them to a fall in training hours and an increase in health and safety incidents. Fewer commented on the impact of the cost reduction activities, however, or the drop in the ratio of assistants to hairdressers.

Many candidates failed to mention the water and $CO_2$ metrics. Of those that did, only a minority linked the fall in these metrics to the cost reduction activities.

A few candidates mixed up the years 20X5 and 20X6 so that performance that should have been interpreted as improving was seen as getting worse. Candidates must make sure they read the exhibit information sufficiently carefully to avoid mistakes like this.

A proportion of candidates provided reasons for poor performance that were ongoing and long term. These would have had minimal impact on the difference in the results of the two years and so they were awarded no marks. These reasons included the use of a paper-based appointment booking system, the lack of social media activity and the failure to pay commission to hairdressers on retail sales. Candidates then wasted time offering solutions to these issues, which was not part of the task requirement. It was evident that some candidates had come to the examination with pre-learned facts from the pre-seen and were determined to include them in their answers, regardless of their relevance to the task. Candidates must be aware that the pre-seen information may be useful to elaborate or justify a point made but the information presented in the exhibits will always be the primary source of information that should be used to answer the tasks. Other candidates provided a range of speculative activities to improve DKK's performance, but again these were not required and so earned no marks.

The main weaknesses in answers to Task 1(a) were:

- Not commenting on the strategic objectives
- Not providing evidence to support statements about the achievement of strategic objectives
- Presenting answers that went no further than basic calculations and statements of increase or decrease
- Confusing profit and profit margin
- A lack of depth and/or breadth to answers due to looking at each financial result, statistic and KPI in isolation rather than exploring the links between them
- Providing ongoing and long-term issues as reasons for the change in performance between the two years, whereas they would have had minimal impact
- Not answering the task requirements and so wasting time providing solutions to DKK's performance

**Professional skills marks (analysis)**

There was a strong correlation between technical and professional skills marks. The professional skills marks awarded often depended on the depth of analysis shown, which was frequently driven by the extent to which candidates had discussed the links between the information in Exhibit 1. Presentation sometimes impacted the marks awarded. This was particularly the case where answers were presented in a table or bullet points as this limited the depth and breadth of the analysis.

Most candidates produced answers in an appropriate report format.

**Task 1(b)**

**Technical marks**

Candidates were required to use Exhibit 2, a directors' remuneration scheme proposal, to help them in answering this task.

In general, performance in this part of Task 1 was poor. It was clear that most candidates had limited understanding of the principles of sound director-level remuneration (salary and profit-related pay (PRP)).

Candidates must understand and, importantly, be able to apply the technical content of the SBL syllabus. This requires dedicated study of its contents in the weeks leading up to exam, to ensure understanding, and then question practice to hone application ability. Whilst candidates will be unsuccessful at SBL if they rely solely on technical knowledge, they will also be unsuccessful if they don't have it.

Good answers, limited though they were, explored each component of the proposed scheme (base salary, PRP and other benefits) and, for each component, evaluated their positive and negative aspects including the likely impacts on director behaviour, considered their effects on DKK's strategic objectives and recommended changes.

Most answers were superficial, however. There was little reflection on the proposal and little challenge of its contents. Many candidates simply worked through the components, more often than not copying and pasting in the relevant piece of the exhibit, with little or no evaluation of positive and negative aspects. Comments were generally limited to a particular component being either a bad idea or, as was invariably the case, a good idea.

When considering the base salary component of the scheme, few candidates commented on anything other than the salary level attracting and retaining directors and inflation plus 15% being too high. Some candidates suggested the proportion should be raised so that directors had a high guaranteed income, displaying a lack of knowledge of governance codes and effective bonus schemes.

Recommendations with respect to the salary component of the scheme were generally confined to lowering the annual increase from 15%, with only a small proportion of candidates commenting on the potential to personalise the salary of each director based on, for example, their position, responsibilities and years of service, or on the need to tweak the proportion of the salary component given the risk of directors not achieving their bonuses due to DKK's current performance.

On PRP, many candidates correctly considered the appropriateness of linking bonuses to strategic objectives as an incentive for directors to improve organisational performance, with some recognising the lack of focus on staff satisfaction and client retention.

Again, there was little depth to many answers, however, particularly those that considered all three elements of PRP as one and so failed to evaluate each individually, thereby limiting the marks they could earn. Few candidates commented on the difficulty of achieving the targets given DKK's current performance and hence the potentially limited extent to which the bonuses might motivate directors. Some candidates explored the potential behavioural implications of the bonuses but most exploration was at a very superficial level, with only a minority noting the practices the new client target might encourage.

Instead, far too many candidates focused on directors committing fraudulent activities to receive bonuses. This was not justified by either the pre-seen or the exhibit and was too extreme a reaction to the scenario they had been presented with. Candidates are strongly advised to provide a more measured and tactful response. As a general comment, candidates should be careful in how they phrase comments about the board, aiming to make clear any issues or shortcomings but without using a tone or wording that would antagonise the recipient.

Some candidates misunderstood 'meeting or exceeding quarterly targets' as referring to attendance at meetings to earn bonuses. As a result, they discussed the number of meetings directors should attend to receive a bonus. The answer was approached from the perspective of staff rather than directors in a surprising number of scripts, despite both the exhibit and task making it clear that the scheme was for directors, which limited the marks that could be awarded given the different roles within DKK of the two groups. As noted earlier, candidates are advised to read the exhibit and the task requirements very carefully, several times, to avoid any misinterpretations or missing key pieces of information.

Most candidates were able to comment on the impact of the bonuses on the revenue and profit strategic objectives, but few noted the impact on the profit strategic objective of the increased remuneration payments, in particular the rapidly increasing base salary. Likewise, a number of candidates were positive about the new client target, failing to understand the implications on customer retention were directors to focus on this. Although some answers referred to the reaction of staff to performance related pay (PRP), few linked it to the staff satisfaction strategic objective.

Recommendations for the PRP part of the scheme were mainly limited to not offering one or more of the bonuses. Better answers noted the need for non-financial targets (including staff satisfaction and client retention) while only a small minority suggested personalising bonuses based on a director's ability to influence a target.

Virtually all candidates assumed a long-term bonus, payable for simply staying in post, was a good idea, demonstrating a lack of knowledge of good corporate governance (which recommends that bonuses should be based on performance and not long service). Recommendations to reduce the number of years from ten to were frequent but earned no marks.

The main weaknesses in answers to Task 1(b) were:

- Limited understanding of sound director-level remuneration schemes
- Copying and pasting of exhibit content with limited or no extra value added
- Limited challenge of the proposal
- Over focus on directors committing fraudulent activities to receive bonuses
- Assuming the scheme applied to staff and not directors

**Professional skills marks (commercial acumen)**

Demonstration of an understanding of the potential effects of the proposed remuneration scheme was generally poor as answers were brief and many did little more than describe a component of the scheme as good or bad. There was some limited recognition of the impacts of the scheme on the strategic objectives, but most candidates did not explore the effect on director's behaviour to any great extent.

Most candidates produced answers in an appropriate report format.

## Task 2

The chief executive officer (CEO) wants your help on two issues and has emailed you the summary details of two investment proposals prepared by the FD and an extract from a recent trade press report about DKK.

Firstly, he has asked you to assess the two proposals before they are presented to DKK's board. The FD has indicated that funds are available to undertake one proposal only.

**(a) Prepare a report for the CEO which evaluates the financial and strategic benefits of, and problems with, the two proposed investments and recommends which one, if either, should be chosen.**

(20 marks)

Professional skills marks are available for demonstrating *evaluation* skills by making a justified recommendation which is based on balanced assessments of the two proposed investments.

(4 marks)

Secondly, the CEO, having read the press report, has proposed giving DKK salon managers the same autonomy and type of bonus scheme as the salon managers at Swirls. He has concerns about the reactions of DKK salon managers to these changes, however. He has therefore asked for your advice.

**(b) Prepare briefing notes for the CEO which assess different change leadership styles that the CEO could adopt when implementing his proposal. Recommend which leadership style would be most appropriate to ensure DKK salon managers' support for the CEO's proposal.**

(10 marks)

Professional skills marks are available for demonstrating *communication* skills by clearly informing the CEO of appropriate change leadership styles and recommending one that is most appropriate to ensure salon managers' support for his proposal.

(4 marks)

**Total Task 2 = 38 marks**

**Task 2(a)**

**Technical marks**

*Part (a)*

For this part of task 2 candidates needed to use both emails in Exhibit 3 to help them produce their answers which were, overall, reasonably good.

Strong answers provided a balanced evaluation by considering the two proposals in equal depth. They included an evaluation of each option independently, which meant that the CEO had a clear understanding of the benefits and problems of each proposal. Answers that dealt with the financial benefits of both proposals at the same time, say, in a more comparative way, provided less clarity.

Although the requirement made it clear that the answer should consider the benefits and problems of the two options, a surprising number of candidates used the Suitability, Acceptability, Feasibility (SAF) model as a framework for their answers. This often resulted in muddled answers which provided little clarity on the relative weighting of the benefits and problems of each proposal and hence made evaluation far more difficult.

However, the use of any type of structure resulted in better answers than using no structure at all.

There were many points that candidates could make. Weaker candidates worked through the exhibit and tended to make one point, at best, about each of the four aspects of the proposals, without considering the wider implications of the information provided. For example, most candidates did not consider the impacts of salons being in gyms and so failed to comment that salon opening times would be dependent on gym opening times or that there would be fewer passing clients than for in-town branches.

Most candidates failed to develop the points they made. For example, many candidates recognised that, given the shortage of hairdressers and assistants, it would be difficult to find staff for the new salons in the gyms. Few candidates developed this point, however, by explaining how poorly staffed gyms would undermine the DKK brand and would potentially impact on client experience and client retention, and ultimately on the success of the salons.

Candidates often failed to recognise the strategic benefits of proposal 1, particularly the opportunity to learn over the three-year period of investment. Few pointed out the problem that gym clients may already have a hairdresser and would not want to change to another salon or queried whether gym users would pay DKK’s prices. Only a small minority questioned whether the relationship with (Grandborne Gyms) GG could become problematic or considered the implications of that. An even smaller minority mentioned the potential to franchise rather than make a direct investment in salons in GG to test the success of the model and to lessen the burden on DKK’s resources.

The benefits of proposal 2 were relatively well covered (although a significant number of candidates did not mention the social media expertise of Swirls that would be acquired but instead covered it in part (b) where it was irrelevant). Some of the problems of the proposal were barely mentioned however including Swirls clients not transferring to the rebranded salons and the potential costs of closing salons in locations where there were both Swirls and DKK salons.

On the other hand, candidates did make a range of irrelevant points about, for example, how to source the finance for the investments. They also wasted time making the same point twice when a disadvantage of one proposal was an advantage of the other (for example the profit of proposal 1 being lower than that of proposal 2, and the profit of proposal 2 being higher than that of proposal 1). Marks were awarded only once.

While most candidates recognised that proposal 2 offered a better profit and margin than proposal 1, better-performing candidates noted that both margins were below DKK's current margin (which they had calculated in Task 1(a)) and so both would lower DKK's overall margin. A disappointing number, however, claimed that DKK's overall margin would increase as both proposals would add to profit. As noted above, too many candidates were unclear about the way in which profit margin is calculated.

Some candidates noted that the monies paid for the investments would impact profit rather than, correctly, cash flow or gearing. Others noted the refurbishment costs of Swirls being lower than the setup costs of the salons in GG as a benefit of proposal 2, forgetting or not considering the purchase price of Swirls.

Cutting and pasting of material from the exhibit occurred in this task, with candidates frequently making no further assessment of the copied and pasted material and hence earning no marks. Answers comprising a list of bullet points, frequently sourced from the exhibit, did not score well as they failed to provide a sufficient depth of analysis. Describing characteristics of the proposals – for example GG salons will offer a narrower range of services - without assessing them as a benefit or problem, did not score marks.

Very few candidates showed any level of scepticism. Whilst this was not the professional skill specifically examined in this task candidates are expected to draw on other relevant skills when answering tasks. If an exhibit contains figures that are assumptions or estimates, candidates should query them and explain why they are querying them. Most candidates accepted the statement in the exhibit that the profit and margin of the gym proposal 'assumes no revenue impact in current DKK salons' when a little reflection would have made them realise that this was unlikely. Few candidates recognised that the offer price for Swirls was an estimate and hence DKK would not necessarily pay $20m, or questioned whether the cost savings per Swirls salon may have been over estimated.

Some candidates failed to read the exhibits carefully and questioned the fit of Swirls with DKK's luxury offering although the exhibit stated that Swirls is 'successfully replicating DKK's luxury offering'. Others thought that GG was in another country, although the exhibit stated that the chain 'has 84 gyms throughout Kayland'. A small number attempted to calculate NPVs but should have realised that, as they were not provided with a cost of capital in the exhibit, this was a waste of valuable exam time.

Most candidates provided a recommendation and a justification, but these were sometimes weak. For example, some candidates recommended one proposal but only if X and Y happened and/or their justifications introduced new points. Candidates are reminded that a justification summarises the main problems described in the answer if an option is rejected and the benefits already described in the answer if an option is recommended.

Provided that the recommendation was supported by arguments candidates had made in the body of their answer, marks were awarded for a recommendation of either proposal or a rejection of both.

The main weaknesses in answers to Task 2(a) were:

- Using the SAF model
- Making too few points
- Not developing points made in sufficient depth
- Wasting time making the same point twice
- Not showing scepticism
- Not reading the exhibit carefully
- Weak recommendations and justifications

**Professional skills marks (evaluation)**

Marks were often impacted by the presentation approach. The evaluation was clearer when discussing benefits and drawbacks of each proposal separately. Using SAF made it difficult to determine which points were benefits and which were drawbacks and how significant they were. Marks were also often limited by unclear/weak recommendations.

Most candidates produced answers in an appropriate report format.

**Task 2(b)**

**Technical marks**

The second email in Exhibit 3 would have helped candidates answer this part of Task 2.

Answers to this part of the task were very poor and more candidates failed to answer it than any other task part in the exam.

Candidates generally perform relatively well when tasks are based on a model or theory - here the leadership styles to overcome change – but few candidates seemed to have this technical knowledge.

Strong answers, and there were very few of them, discussed a range of change leadership styles in the context of how they would be applied in the scenario of the task, and went on to give an assessment of their appropriateness or otherwise in ensuring support for the proposal. A clear recommendation was provided as well as a rationale for that choice based on the assessments that had been made.

Some candidates, whilst having knowledge of change leadership styles, did not apply their answers to the scenario and provided generic benefits and drawbacks which obviously did not score as highly. Others provided definitions of styles but did not assess them.

Candidates were not penalised if they discussed different leadership styles to those in the model answer as long as they explained them in the context of change. Transformational and transactional leadership was discussed by some candidates, and although this is a leadership type rather than style, there were some mark-earning points made in the discussion of transformational leadership. Likewise, some candidates earned marks using the tells/sells/consults approach. Only a minority of candidates were able to discuss articulately more than a couple of styles, however. These were usually democratic and participative, although they were given a variety of names.

Most candidates did not appear to know the theory around which the model answer is based there were a number who made no attempt at it and missed it out entirely. This may be because the topic, whilst in part A of the syllabus, is frequently covered in part H (the last part) of the syllabus in study material, and so poorly prepared candidates may have failed to reach it. As has been noted elsewhere in this report, while certainly not the only driver of success, technical knowledge of the entire syllabus is vital to exam success.

The most common weakness, however, was what appeared to be a misreading of the task requirement. This meant candidates tended to assess the proposed change (the benefits and drawbacks of giving salon mangers more autonomy and a bonus) rather than the leadership styles that could be used to implement the change. They also compared and contrasted the leadership styles of Swirls (decentralised) and DKK (centralised).

Less frequently, but still commonly seen, was the use of Lewin's Change Model. Candidates did not appear to understand that this model describes a process for change and not the leadership style to adopt. Candidates should note that it is not relevant in every task that references change.

It was often difficult to determine what task candidates thought they were answering. Many answers were a few paragraphs of unrelated, irrelevant points about DKK's current situation, issues it was facing and, in a surprising number of cases, the need to use social media.

It is vital that candidates do not rush their reading of the requirement but that they read it a number of times, noting the key words – the verb(s) and the object of the verb(s). The objects in this task were what they need to assess (different change leadership styles that the CEO could adopt) and what they need to recommend (which leadership style would be most appropriate).

The main weaknesses in answers to Task 2(b) were:

- Lack of technical knowledge
- Providing generic answers, not applied to the scenario
- Misreading of the task
- Using Lewin's Change Model

**Professional skills marks (communication)**

Given the above commentary on candidate performance, it is not surprising that professional skills marks tended to be low. Even when candidates answered the task set, answers frequently lacked application to the scenario, meaning the information provided to the CEO had limited use.

Most candidates produced answers in an appropriate briefing notes format.

## Task 3

> You have recently had a meeting with the internal auditor (IA) at the chair's request. The chair wants your advice about potential threats to the IA's independence.
>
> **Prepare an email for the chair which assesses the threats to the internal auditor's independence and explains how they could be mitigated.**
>
> (16 marks)
>
> Professional skills marks are available for demonstrating *scepticism* skills in probing into the information provided by the internal auditor in order to assess his independence.
>
> (4 marks)

**Technical marks**

Candidates needed to use Exhibit 4 to assist them in answering this task.

They performed reasonably well on it, with many earning marks for assessing a good number of the threats to the internal auditor's independence and providing several mitigations. There was a pleasing number of scripts which earned full technical and professional skills marks.

Key to scoring well was having the correct technical knowledge and taking a methodical approach. Better candidates were able to:

- Firstly, note the specific type of threat (self-interest, familiarity, advocacy, self-review, self-interest, perceived authority, intimidation). This relied on having the technical knowledge to be able to recognise the circumstances that would lead to such a threat.
- Secondly, set out the reason for the internal auditor facing that specific threat, such as auditing an area of DKK that they have worked in (self-review threat) or being threatened by the regional manager with a relative position of power (intimidation threat).
- Thirdly, explain the implications of the threat. For example, for a self-review threat, the internal auditor would be unable to form an unbiased opinion and would be less critical or observant of errors or deficiencies due to the difficulty of remaining objective when reviewing their own work.

Candidates who did well either worked methodically through the exhibit and dealt with each individual threat in turn or dealt with all examples of each type of threat in turn. Many candidates dealt with the threats in a more random manner, however, and focused on the ones they could identify easily – which were usually the familiarity threats – which invariably meant they failed to consider many of the others.

Whilst most candidates could identify several threats to the internal auditor's independence and set out the reason for that threat, many were unable to explain its implications. When implications were provided, they were often weak or repetitive. Many were simply variations on 'the threat would limit the internal auditor's independence'.

Weaker candidates stated facts, for example the internal auditor is paid a bonus based on profit, without explaining why that was a threat to independence.

A large proportion of candidates recognised that the internal auditor should not be reporting to the finance director, but few were able to articulate clearly the nature of the threat. Most were able to identify the familiarity threats due to knowing the finance director for many years and due to developing close relationships across the business, but the vast majority were unable to explain the associated advocacy threat.

The self-review threats due to the internal auditor auditing an area of the business they had worked in and auditing a system they helped design were missed by some candidates.

Few candidates recognised that there was a perceived authority threat due to the salon managers refusing to engage and not recognising the internal auditor’s authority or the importance of the internal audit process. Only the better students appreciated that there was a self-interest threat due to the internal auditor needing to maintain good relations with the board and not jeopardise their position in DKK following the intimidation threat by the regional manager, which most candidates commented on.

The self-interest threat associated with the potential new role was recognised by most candidates, but few noted that the interviewing manager represented an intimidation threat due to their influence over the job application. A few candidates misread the exhibit and thought the internal auditor already worked in the department so highlighted a self-review threat. There were a surprising number of answers that were critical of the internal auditor and suggested they should not be motivated by money.

Most candidates recognised that there was a threat linked to the payment of a bonus based on profits.

As in a number of other tasks, many candidates copied extracts from the exhibit into their answers, often without even changing the ‘I’ used in the exhibit to ‘internal auditor’ in their answer. Sometimes they included the extract as a quote. Invariably, however, they then did not develop the extract and explain its relevance but used it as their explanation of the reason for there being a threat. Standalone extracts from the exhibit earned no marks.

A number of candidates appeared unclear on the difference between external and internal audit. Some answers were an amalgamation of internal and external audit while others were entirely from the perspective of external audit. These answers included, for example, reference to clients and the impact of the threats on the accuracy of the financial statements and on a true and fair view. Again, this is indicative of a lack of technical knowledge. Candidates are reminded that the foundation of success in SBL is sound knowledge of the SBL syllabus albeit, as explained earlier, this alone is not enough to ensure success.

There was an unnecessary and unjustified focus on fraud, collusion and manipulation in many scripts. For example, many candidates described the implication of the familiarity threats was that the internal auditor would not highlight the fraud carried out by his friends. Others described collusion between members of the finance department and the internal auditor to amend the financial results deliberately in an attempt to improve their bonuses. There was no indication in the exhibit that the internal auditor or any employee of DKK was involved in these activities. Candidates should be wary of over-speculating without justification and of focusing their answers on them. A more professional approach would be to point out that there would be a risk of any fraud that did occur not being reported.

Although the number of candidates using questions to display scepticism is on a downward trend, the technique is still used by too many. The candidate's answer should be providing the chair with the answers to questions such as 'Don't you think reporting to a friend might be a problem' rather than leaving the chair to answer them. Candidates are reminded that using questions does not show scepticism and will not earn them technical marks as they should be providing the answers to these questions.

Many candidates struggled to explain more than a couple of appropriate mitigations. Inappropriate mitigations included:

- Extreme mitigations, unjustified by the circumstances, including the dismissal of the finance director and/or the internal auditor and the internal auditor having no contact with any member of staff. Many candidates suggested that the regional manager should be removed without recommending that he was disciplined first, with several suggesting that his father (the marketing director) should suffer the same fate. Candidates should remember that their answers and advice should be professional, and hence measured, and demonstrate commercial acumen (even though that was not the specific professional skill in this task). Candidates are therefore advised that training and/or disciplinary action are generally better mitigations to suggest in answers unless it is clear that the law has been broken (because, for example, fraud has been committed).
- Impractical/unrealistic mitigations. These included giving the internal auditor director status so that they were able to resist intimidation threats
- Underdeveloped mitigations. Examples included replacing the internal auditor but not providing any detail of the replacement or removing the bonus based on profit but not saying what it should be replaced with.
- Irrelevant mitigations, such as suggesting that salaries or bonuses should be increased as the internal auditor was clearly underpaid if they were searching for a higher-paid new role

Clearly an audit committee would be an appropriate mitigation, but many candidates described how the internal auditor should report to the pre-existing committee, even though the pre-seen had made it clear that there were no board committees.

Some candidates correctly noted the need to employ more non-executive directors before an audit committee could be established. It was not uncommon, however, for them to state that DKK had no NEDS, or to suggest that the internal auditor report to a NED, despite the fact their email was to DKK's one and only NED. Possibly candidates did not realise that a non-executive chair is in fact a NED.

Some candidates provided the same mitigation on a number of occasions, particularly if they used a tabular approach. These mitigations included the establishment of an audit committee, the hiring of a more independent internal auditor from outside DKK and removing/forcing the resignation of/changing the internal auditor. Additional marks were not awarded for repetitions unless the candidate had managed to develop the point so that it applied to the specific threat. For example, an appropriate mitigation for the internal auditor reporting to the finance director was the establishment of an audit committee to which the internal auditor could report, while an appropriate mitigation for the intimidation threat was an audit committee to which would provide an independent route for the internal auditor to report threats of intimidation to ensure those threats are taken seriously. This highlights the value of developing points made so that they apply directly to the scenario.

Overall, the main weaknesses in answers to Task 3 were:

- Lack of technical knowledge about the threats to internal auditor independence
- Not taking a methodical approach
- Weak or repetitive implications of the threats
- Copying and pasting material from the pre-seen or stating facts from the preseen but not developing them and explaining their relevance
- Lack of technical knowledge (confusing internal and external audit)
- Unnecessary and unjustified focus on fraud, collusion and manipulation
- Using questions to display scepticism
- Providing insufficient appropriate mitigations and/or providing inappropriate mitigations
- Repetition of mitigations

**Professional skills marks (scepticism)**

As noted above, the use of questions to show scepticism did not result in high professional skills marks. Unless they had simply reproduced extracts from the exhibit without further comment, however, most candidates managed to demonstrate that they had done some probing into the exhibit information.

Most candidates produced answers in an appropriate email format.