ICMAP
Pathway exam

Thursday 11 December 2025

Paper IPE

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.

ACCA Think Ahead

The Association of Chartered Certified Accountants

1 Background

Reefland Harvest Company (RHC) is a listed business in Reefland, specialising in the supply of fresh fruit and vegetables. It has operated successfully for over 30 years as a wholesaler, delivering bulk produce to supermarkets, restaurants, and food processors. Its reputation for quality, consistency, competitive pricing, and reliable logistics has helped it secure long-term commercial contracts with some of the country's largest food retailers.

In early 20X5, RHC launched a retail pilot under the brand 'RHC Direct.' This began with weekend market stalls and a basic online ordering platform offering fruit and vegetable boxes for home delivery. Despite minimal promotion, the pilot was a success. Customers appreciated the freshness, lower prices, and ability to trace the produce's origin. Encouraged by this, RHC is now considering a significant investment in its retail offering, including a more advanced online platform and an attractive in-store experience. The company also wants to adopt digital payment options, as the current system relies heavily on manual invoicing and payments on account.

Operational and stakeholder pressures

Retail operations have introduced new service expectations that are much more demanding than those of wholesale clients. Customers expect next-day delivery, packaging that is tailored to the particular delivery, loyalty schemes, and customer support. These services have added to operating costs. However, RHC has continued to offer pricing based on its wholesale cost structure, putting pressure on profit margins.

At the same time, some of RHC's longstanding wholesale customers are unhappy. Eastern Grocers Ltd, a major buyer accounting for 25% of RHC's annual revenue, has threatened to cancel its contract. They view RHC's retail operation as direct competition, especially as RHC's online prices undercut theirs (see Exhibit 2 for more details).

The internal organisational structure has also come under pressure as it struggles to cope with the new aspect of operations (see Exhibit 1).

Budgeting approach under review

The company uses a top-down, annually revised budgeting model. While this works for the wholesale business, which is relatively stable, it has created problems for retail. The new retail market moves quickly. For example, when a new product line in pre-prepared salad boxes became popular in early 20X5, the finance team couldn't reallocate budgets effectively to support expansion. The finance director has highlighted this mismatch between budgeting practice and business need – the traditional approach suited a stable, established, predictable business, whereas the new retail business needs a more flexible and responsive approach as the business grows and becomes more established (see Exhibit 1).

Insights from customers and data

Customer feedback and data from the electronic point-of-sale (EPOS) system offer clear insights. A recent focus group found that retail customers care about ethical sourcing, freshness, and digital convenience. EPOS data shows that online customers spend more per transaction and shop more regularly than in-person buyers. The operations director believes this information could be used to shape long-term plans and improve pricing, promotions, and product development (see Exhibit 2).

Unfortunately, the retail business is a natural competitor for some of the existing wholesale customers, and one is threatening to cease trading with RHC. This is a delicate challenge that the company needs to address urgently (see Exhibit 2 for more details).

Sustainability reporting concerns

The company's most recent Integrated Report claims a reduction in energy usage. However, electricity costs in the financial statements have tripled over the same period. This has occurred in a year when energy prices in Reefland have remained relatively stable. It was later revealed that the CSR data was based on estimates from a small solar panel pilot project at one facility, but the report did not make this clear. This contradiction raised concerns at the board level, with differing views on how to handle voluntary disclosures and their relationship with the audited financial statements (see Exhibit 3).

Strategic direction

RHC is facing a turning point. The retail business offers growth, but it introduces new risks, higher costs, and operational complexity. The company must now decide how to adjust its internal structure, financial systems, and stakeholder relationships, while maintaining integrity in its reporting and long-standing business relationships.

Your role

You are a strategic analyst, working for the board, to assist with their current issues.

The following exhibits provide information relevant to the requirements:

1. Memo from the finance director to the board
2. Meeting between CEO and operations director
3. Board meeting minutes

Exhibit 1 – Memo from the finance director to the board

From: Simon Smith, finance director
To: The board
Subject: Budgeting and structural issues relating to our retail activities
Date: 1 December 20X5

Budgeting approach

Our current budgeting model is top-down and updated once per year. While this is effective for the wholesale side of the business, which is largely predictable, it is much less suitable for our new retail operation. Retail requires more flexibility to respond to this new, unknown part of the business – for example the funding requirements are likely to change as we get to know the new business and its needs. Retail is also more likely to have changing customer preferences and seasonal fluctuations. We'll also have real time customer data which would be useful in revising targets, but the current approach doesn't allow for that.

For example, earlier this year, we trialed a line of pre-prepared vegetable salad boxes. These sold out weekly, but we were unable to divert more funding to support packaging, delivery, or marketing due to fixed departmental budgets. By the time additional resources were approved, demand had fallen away.

Functional structure constraints

At present, we continue to manage both retail and wholesale through a single functional structure. This is creating growing inefficiencies. The sales team is unsure how to split its efforts between small retail accounts and large wholesale clients. The procurement team must balance the demand for bulk seasonal orders with the more varied and niche produce required for retail. The logistics team is finding it difficult to coordinate long-distance wholesale deliveries with short-distance, time-sensitive home deliveries.

The budgeting and structural issues outlined above are beginning to affect performance and customer satisfaction. These areas need to be reviewed and addressed.

Simon Smith
Finance director

Exhibit 2 – Meeting between CEO and operations director

Transcript of a conversation between Ken Jones, CEO (KJ) and Zahra Malik operations director (ZM) on 3 December 20X5

KJ: Zahra, I've just come off the phone with the managing director of Eastern Grocers. They're giving us formal notice—they intend to cancel their contract unless we immediately stop selling to retail customers.

ZM: That's a huge blow. They're about a quarter of our total revenue, aren't they?

KJ: Yes, and they're angry. They said our online prices are undercutting theirs by 8–10%, and they see us as moving into their market. They claim we're damaging their position.

ZM: I understand their point, but the demand from consumers is real. The focus group we held last month made it clear—people want transparency, pesticide-free produce, and more convenience. One of them said, "I trust RHC more than the supermarkets."

KJ: And what does the EPOS data tell us?

ZM: It confirms that online orders are more profitable per customer. Basket sizes are larger, and repeat ordering is higher. Mondays and Thursdays are peak times. The ready-to-eat fruit and seasonal vegetable packs are our best sellers. This is a strong signal that the retail side could grow, but it's creating obvious conflict.

KJ: So, we're growing in one area and risking collapse in another. We need to think carefully about how to manage this.

Exhibit 3 – Board meeting minute

Date: 5 December 20X5
Chair: John Abbott, Chair of the board
Present: John Abbott (chair of the board), Ken Jones (CEO), Simon Smith (finance director), Zahra Malik (operations director), Anne Downs (marketing director), Cindy Liu (non-executive director)
Apologies: Sandy Adams (HR director)

Agenda item: Sustainability reporting
Simon raised concerns about a contradiction between the company's draft sustainability report and the audited financial statements. The CSR report claims a 12% reduction in electricity use during 20X5. However, financial data shows that electricity costs have risen from $62,000 to $190,000. Energy prices in Reefland have remained stable throughout the year.

The discrepancy appears to stem from the Integrated Report being based on estimated data from a solar energy pilot project at the Portside distribution centre. The report did not state that these figures were only partial or estimated.

Anne suggested removing references that contradict the financial statements and publishing only those metrics that show progress. He argued that the Integrated Report is voluntary and should support RHC's reputation.

It was agreed that the publication of the Integrated Report would be delayed until the finance and marketing teams have reviewed the data and ensured greater clarity and consistency.

Required:

Write a report to the board of RHC in which you address the following matters:

(a) **Evaluate the appropriateness of the current approach to budgeting following RHC's move into retail operations and provide a justified recommendation for an alternative.**

(10 marks)

Professional skills marks are available for demonstrating *communication* skills in explaining the issues and your recommendation to the whole board, many of which are not from a financial background.

(2 marks)

(b) **Evaluate the power and interest of retail customers and wholesale customers, and recommend strategies for addressing the conflict between these two groups.**

(8 marks)

Professional skills marks are available for demonstrating *analysis* skills in analysing the power, interest and claims of each stakeholder group.

(2 marks)

(c) **Evaluate how the information gathered from both the customer focus group survey and EPOS data may be used to inform future strategic planning.**

(9 marks)

Professional skills marks are available for demonstrating *evaluation* skills when assessing the value of the information gathered, and how it may be used.

(2 marks)

(d) **Recommend, with justification, changes to the company's internal structure that will improve the chances of the strategy working.**

(5 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in suggesting a practical structure that is likely to improve the chances of success.

(2 marks)

(e) Evaluate the ethical and financial reporting issues associated with the intended CSR reporting approach and advise how they may be resolved.

(8 marks)

Professional skills marks are available for demonstrating *scepticism* skills when assessing the current approach and the marketing director's proposal.

(2 marks)

(50 marks)

2 Background

Today is 10 December 20X5. Circuit Clever Ltd (CCL), a listed company based in Alphaland, is exploring the possibility of entering into a joint venture with Smart Networking Technologies (SNT), a privately-owned company based in Omegaland. The joint venture would aim to develop innovative intellectual property relating to long distance wireless internet technology and manufacture domestic Wi-Fi routers incorporating the new technology. The ultimate goal is to produce a single Wi-Fi router that will cover much larger properties than currently with a strong signal.

CCL brings to the relationship a long-standing reputation for manufacturing electronic equipment at scale. In contrast, SNT has expertise in developing cutting-edge networking software and hardware solutions. Under the proposal, both companies would contribute equally to the development costs and investment in the necessary manufacturing infrastructure. Profits from the sale of the new product would be shared equally.

Branding and market presence

Both CCL and SNT have well-recognised brands in their respective countries. However, there is currently disagreement over which brand should be used for the joint venture's product line. CCL argues that its market penetration and stock exchange listing would give greater credibility, while SNT insists its technology innovation image is more aligned with the new offering.

Cultural and operational differences

The proposed joint venture faces significant cultural and operational hurdles. The two locations display cultural differences that are summarised in the table below:

Dimension	CCL / Alphaland	SNT / Omegaland
Planning & meetings	Punctual. Detailed plans with clear steps and dates; changes need approval. Meetings have agendas, end with actions and named owners; progress tracked against plan.	Flexible. Light plans at the start; dates can move as ideas change. Meetings are open and exploratory; actions may be set later.

Decision-making & roles	Hierarchical sign-off. Clear roles and individual accountability. Strong governance but less flexibility.	Consensus-based. Equal input regardless of seniority. Roles are fluid and ownership is shared to stay agile.
Documentation, & controls	Values written documents, formal reporting lines, and conservative financial controls.	Prefers conversation and quick notes; lots of paperwork seen as a barrier.
Communication & language	Uses formal technical terms to be precise (can be hard for others to read).	Staff often switch to the local language in discussions, which can confuse partners and lead to misunderstandings.
Workstyle & schedule	Standard working hours. Milestones and reporting at set times.	Flexible hours, including nights/weekends, as long as deadlines are met.
Current friction	CCL (Alphaland side) says SNT documents lack timelines and measurable outcomes; Alphaland expects approvals and documentation before work starts.	SNT (Omegaland side) is frustrated by multi-stage approvals and paperwork before any development can begin.

This misalignment has caused delays in communication and uneven collaboration during preliminary joint tasks. Concerns have also been raised around core commercial attitudes, particularly pricing strategy and cost recognition.

SNT has proposed a highly flexible pricing strategy that could pose ethical risks, as outlined in the CEO's email exchange with the marketing director (Exhibit 1). The approach involves quoting based on what each customer appears willing to pay rather than based on standardised pricing or cost-plus methodology. The board would like your help to understand any ethical concerns with the approach.

In addition, a recent board meeting revealed debate over the appropriate accounting treatment for advertising costs (Exhibit 2). The marketing director suggested capitalising significant promotional spend due to anticipated long-term benefits. However, this contrasts with the cautious accounting practices traditionally followed by CCL and may raise concerns under international financial reporting standards. Hence, the board would like your help to evaluate the current proposed treatment and to recommend any changes that may be required to fit with best practice.

These differences point to deep-rooted cultural misalignments that go beyond surface-level preferences. They represent differing assumptions about control, communication, accountability, and what it means to work effectively in a business partnership.

The board has asked for your help to understand and manage these cultural and operational differences.

Systems integration concerns

The integration of systems and procedures has been identified as a potential risk. CCL uses highly structured Enterprise Resource Planning (ERP) systems with strict access and integrated financial monitoring for strong traceability, while SNT has more informal and decentralised approaches to data management. SNT uses many separate IT systems (free cloud storage, spreadsheets), giving lower traceability and transparency, and weaker security. Additionally, both companies use different programming languages, database structures and security protocols.

The IT director does not appear to be overly concerned, saying integration work is not likely to be too difficult if planned carefully. No detailed plan for integration has yet been presented. The board has asked for your advice on potential integration issues and how they may be managed.

Consideration of internal (organic) development

There is also internal discussion within CCL about whether the company could or should develop the product organically. A recent conversation between the CEO and finance director (Exhibit 3) reveals concerns about losing control of the intellectual property that would be developed by the joint venture, as well as complexities arising from differing laws, currencies (A$ and O$), and accounting standards between Alphaland and Omegaland.

Your role

You have been appointed as an external consultant to act as strategic adviser to the board on the potential joint venture and associated issues.

The following exhibits provide information relevant to the requirements:

1. Pricing strategy email
2. Advertising expenditure (extract from board minutes)
3. Organic development discussion (transcript)

Exhibit 1 – Pricing strategy email

From: Amina Raza, marketing director
To: Dario Wells, CEO
Subject: Strategic pricing proposal

Dario,

As we plan for the new product launch under the proposed joint venture, SNT have indicated they would like to adopt a flexible, customer-specific pricing approach. Rather than using fixed prices or standard mark-ups, SNT would like to provide tailored quotes depending on what we understand each customer is willing to pay.

The product would be bespoke to each client's network requirements, so no two configurations would be quite the same. This gives us scope to charge a premium where we identify strong purchasing power.

Informally, I'm calling it a "what we can get away with" model. Of course, we'd remain professional, but this flexibility could admittedly significantly enhance margins in early phases. As long as we avoid our current preferred approach of publishing price lists or encouraging direct comparisons, I believe this model could be viable. There is always a risk of being challenged on grounds of fairness or transparency, but I believe that risk is outweighed by the potential gains.

Let me know your thoughts.

Amina

Exhibit 2 – Advertising expenditure (extract from board minutes)

Date: 24 October 20X5
Present: Dario Wells (CEO, Chair), Amina Raza (marketing director), Harun Patel (CFO), Jasmine Helberg (HR director), Kofi Lemaire (operations), Susan Liang (NED), Irfan Bashir (NED), Megan Sprendthrift (finance)

Agenda item 3: Treatment of advertising spend for new product launch
Amina Raza reported that an initial campaign budget of A$2.5 million had been approved to build market awareness of the new high-penetration Wi-Fi device. The advertising would run across digital, television, and print media platforms and was expected to yield benefits for at least three years.

Amina recommended capitalising the full amount in the accounts as an intangible asset, arguing that the spend met the definition of a resource controlled by the company that would generate future economic benefit.

Harun Patel noted that while some elements might meet the recognition criteria under IFRS, most advertising is generally expensed unless it directly relates to identifiable development work or promotional assets.

The board agreed to seek further advice before finalising the accounting treatment.

Exhibit 3 – Organic development discussion (transcript)

Transcript of a conversation between Dario Wells, CEO (DW) and Harun Patel, CFO (HP)

DW: Do we really need the joint venture? Could we not just hire a team of engineers and develop this in-house?

HP: Technically, yes. But it would take longer. And we'd bear 100% of the cost. The JV spreads the risk.

DW: True, but with our systems and brand strength, we'd also keep 100% of the returns. I'm not convinced that sharing profits on something this significant is the right move.

HP: Possibly, but it's not just about money. SNT has unique intellectual property in this space and a strong innovation track record. We'd also gain access to their specialist engineers immediately, without recruiting.

DW: I just worry about losing control—especially when they're in another legal system, with a different language and currency. There's reputational risk if things go wrong. We'd have to tread carefully with contracts.

HP: All valid. If we go solo, we'll need to recruit aggressively and accept a longer timeline. We'd also face a steep learning curve in developing certain wireless protocols. But yes, we'd be fully independent.

DW: Let's keep both options open until we see detailed terms. I want a clear comparison of timelines, costs, and risks before we commit.

Required

Write a report to the board of CCL, in which you address the following matters:

(a) **Evaluate the culture of the two companies, explaining how noted issues of compatibility could be resolved.**

(10 marks)

Professional skills marks are available for demonstrating *analysis* skills when evaluating various individual aspects of culture for the two companies.

(2 marks)

(b) **Evaluate the strengths and weaknesses of the proposal to develop the intellectual property through a joint venture as opposed to organic development.**

(8 marks)

Professional skills marks are available for demonstrating *evaluation* skills when examining the various strengths and weaknesses of the proposal.

(2 marks)

(c) **Assess the ethical issues associated with the proposed pricing strategy.**

(8 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills when considering the practical impact of the proposed pricing strategy.

(2 marks)

(d) **Analyse the likely post-acquisition system and technology integration issues the company may face, and recommend how they may be addressed.**

(8 marks)

Professional skills marks are available for demonstrating *scepticism* skills when examining the extent of the potential integration issues.

(2 marks)

(e) **Evaluate the proposed treatment of advertising expenditure (Exhibit 2) with reference to the IFRS Conceptual Framework and recommend with justification how the expenditure should be accounted for and presented in the financial statements.**

(6 marks)

Professional skills marks are available for demonstrating *communication* skills when recommending your approach to the board as a whole.

(2 marks)

(50 marks)

End of question paper