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Serial No.....

Institute of Certified Management Accountants of Sri Lanka

March 2010 Examination

Examination Date : 4th March 2010

Number of Pages : 17

Examination Time: 9.30 a. m.- 12.30 p.m.

Number of Questions: 01

Instructions to candidates:

1. Time allowed is **three (3) hours**.
2. Attached to the question are **Scenario I** given in advance and **Scenario II**
3. Answers should be entirely in **English language**.

<u>Subject</u>	<u>Subject Code</u>
Case Study	(CaS / 804)

Question (100 Marks)

AGNI Holdings

You have been appointed as Management Consultant to the Board of AGNI Holdings.

Prepare a report that analyses, prioritizes, and evaluates the key issues facing AGNI, and make appropriate recommendations.

Scenario I

Ayurveda

Ayurveda, an ancient medical system, takes the holistic perspective that we are made of body, mind and soul. Ayurveda's focus is on an individual's holistic health as opposed to merely the physical body, which is the most beneficial aspect of ayurvedic medicine; it works on the principle that perfect health is achievable through psychosomatic integration in a person.

Ayurveda literally means 'the science of life'. It is a system of traditional medicine, native to the South Asian continent and is practiced in other parts of the world as a form of alternative medicine.

Ayurveda provides a unique physical purification method called Panchakarma, and various ayurvedic herbal health remedies for mental and spiritual well-being.

It is believed that a healthy metabolic system, good digestion and proper excretion lead to vitality. At the same time, Ayurveda also focuses on exercise, yoga, meditation and massage. Therefore the science of Ayurveda believes that body, mind and consciousness needs to be addressed both individually and in unison for health to ensue.

Thus Ayurveda is the science of Energies and Health. As per Ayurveda, it is possible for our bodies to be healthy when balanced with the right amount of Doshas (the three life energies - Vata, Pitta and Kapha). In fact, Dosha-imbalance is said to be the primary cause of disease. Dosha determines the Prakriti (body types) of human beings; it refers to the three internal energies of Vata (space and air), Pitta (fire) and Kapha (water and earth). Every human usually has varying degrees of Vata, Pitta and Kapha; that is, the Doshas are usually not present in equal proportions. Very rarely will a person has a completely even distribution of Doshas. Ayurveda places supreme importance to food and its digestion as inappropriate food is considered to be the causative factor for all Dosha-imbances.

To attain the state of Dosha balance, Ayurveda believes one's life must move in harmony with nature's rhythms and its laws as Ayurvedic medicine recognizes that the human body is part of nature, rather a microcosm of the universe.

It is true that many objects and compounds now found in today's environment did not exist in 4000 BC. However, this does not mean that the principles of Ayurveda are redundant and cannot be applied to modern life. In fact, the ancient wisdom and guidance of Ayurvedic practitioners can prove more valuable when confronted with a constantly evolving environment on earth. One simply requires an appreciation of basic and universal concepts to see how everything is still governed by the fundamental theories the ancient sages understood so well. Once achieved, this insight can be used to help evaluate everything around us and determine the beneficial and adverse impact it has on mind and body.

In contrast with conventional medicine, which devotes a lot of effort to isolating the differences amongst various diseases, Ayurveda focuses on the unique qualities of individuals, pointing out that diseases differ mainly because people are so different.

Thus while Western medicine tends to treat the symptoms of disease, Ayurveda seeks to eliminate illness by treating the underlying cause. For example, a patient suffering from depression would likely to have an allopathic physician prescribe a standard course of antidepressants and perhaps, therapy. An Ayurvedic doctor, on the other hand, would seek to understand the root imbalances contributing to the depression. The Ayurvedic practitioner would look at the patient as a whole, taking into consideration his or her lifestyle, activities, diet, recent stressful events, beliefs and mind-body constitution. A treatment plan would then be recommended once all of these factors had been taken into consideration.

Ayurveda teaches that the mind has the greatest influence in directing the body toward sickness and health. Thousands of years before modern medicine "discovered" the mind-body connection; the ancient sages had mastered it. They developed Ayurveda as a system for contacting inner intelligence or mind, bringing it into balance and then extending that balance to the body.

The current global market of Herbal and Ayurvedic medicine is estimated to be over US\$100 billion. As per a World Health Organization report, more than 80% of the world's population uses medicine made from Herbal and natural products.

AGNI Holdings

AGNI Holdings is a group of companies involved in providing and selling a wide range of services and products related to Ayurveda. Having commenced operations in 1960 in a South Asian Country, they now operate in twenty five countries around the world.

AGNI runs Ayurvedic hospitals, spas, Meditation & Yoga centers, and Colleges. They manufacture a range of Ayurvedic consumer goods and medicines. AGNI branded soaps, deodorants, shampoos, pain killers and facial creams are extremely popular and is sold in many countries across the globe.

The business is quoted on the stock exchange of a South Asian country since 1995, where 60% of the shares are held by the family who founded the organization 50 years ago. Presently, company operations are managed by the second generation of the family who are qualified in Medicine, Engineering and Finance from European Universities.

Members of the board comprise of twelve directors, six of whom are from outside the founding family. The newly appointed Group Finance Director is from Singapore, where he worked as Chief Financial Officer of a leading Multi-National Company before joining AGNI. The Board further includes 3 non-executive directors who are eminent personalities, one of whom is the nominee director of a Government which holds 5% of company shares.

The Human Resource Director has been with the company for the last thirty years. In 2005, the AGNI board appointed a Business Development Director to expand its operations globally and into other related areas of Ayurveda. As the Business Development Manager for a leading global soft drinks company prior to joining AGNI, he has handled many successful acquisitions in the past.

Research and Development (R&D)

AGNI Holdings runs the largest Ayurvedic research institute in the world and employs ninety Research and Development scientists. The R&D division is given a target of one new research idea every month. Most employees in this division hold PhD's in Ayurveda and also lecture at the AGNI's Ayurvedic Colleges. The R&D Division is located in the middle of a 500 hectare forest that is home to some of the world's rarest herbs and species which helps to maintain biodiversity. The forest provides ingredients for research and is also the main source of raw materials for manufacturing Ayurvedic products by other divisions of the group. The group employs a staff of over 100 for the maintenance and security of this forest. This land has been leased from the Government since the 1970's.

A special team was formed within the R&D division in 2002 to convert traditional ayurvedic medicines to modern and marketable tablets, injections and creams. Patent rights of some of the drugs were licensed to leading global pharmaceutical companies from whom AGNI receives royalty payments.

The R&D department also includes a team which researches the ancient writings and scriptures of Ayurveda which are in Sanskrit and search for new recipes and formulas.

Slim-fast

AGNI Hospitals operate in fifty locations in twenty countries and has introduced a new project called '*Slim-fast*'; a weight reduction program where 10-30 pounds can be safely and naturally reduced in 2 weeks via special Ayurveda and Yoga therapy. Depending on the person's height, age and other parameters, the AGNI Hospitals' staff agree on a minimum level of weight reduction, where participants are presented with a special offer that refunds monies paid by the customer if the stipulated weight loss is not achieved. '*Slim-fast*' has been successful since its implementation in 2009.

Obesity is considered to be one of the biggest problems in the world today and the root cause of many chronic diseases such as type 2 diabetes, cardiovascular disease, hypertension, stroke, and certain forms of cancer, to name a few. With over one billion people across the world suffering from obesity, there is a huge global demand for a service like '*Slim-fast*'. In an analysis carried out by the World Health Organization, approximately 58% of diabetes, 21% of heart disease and 8% - 42% of certain cancers the world over were attributable to being overweight/obese.

AGNI Hospitals have carried out extensive advertising campaigns for '*Slim-fast*' in all the countries it operates in. The key strengths of '*Slim-fast*' are its high success rates, the AGNI Group reputation, endorsement from popular personalities and competitive pricing.

Employees of AGNI hospitals are well trained and educated regarding this service and the Hospital has developed a high level of quality standards in processes, with more controls. All materials used are well tested and pass through approximately fifty internal scientific tests prior to usage.

Clientele are individually assessed so that treatment is customized amongst participants. The treatment plan is prepared by an experienced supervisor and approved by a manager prior to beginning treatment. The hospital staff also provides strategic advice on how to increase weight loss in the future and maintaining the weight lost so far. The staff also provides diet plans, Ayurvedic food products and yoga lessons for an additional fee.

AGNI Hospitals are finding it difficult to keep up with the growing demand for *Slim-fast* and are in the process of implementing one or more of the following options:

1. Expanding its operations to other countries, and other parts of countries in which it currently operates by offering franchise agreements.
2. Opening 50 new hospitals in 20 countries within the next 3 years. This would require an investment of US\$ 250,000,000 if the Group is to maintain current quality standards. Shareholders are concerned with the financial impact of such extensive expansion and the Board is of differing views as to whether the project should be financed through a bank loan or by selling some of the lands owned by the company.

The Marketing Manager has submitted a proposal to the Board that recommends carrying out a major advertising campaign on the dangers of obesity and the relevant services provided by AGNI hospitals. At one of the meetings, the Chairman stated that “*any further promotion of this project is preferred only after expanding our capacity. Otherwise, we are just creating opportunities for others to enter this market*”.

Price Objectives and Services

The controlling family has the objective of providing services at affordable prices and earns only moderate profits. They are happy with the current profitability of the business and are keen on providing their services at lower prices to more customers as opposed to making more money from fewer customers. However the non-executive directors nominated by the institutional shareholders are pushing the board to earn higher profits on current investments and declare higher dividends. The Group Finance Director has proposed to the board that the Group increase prices by 10% and double their dividends.

The Controlling family is very concerned over the board’s growing trend toward profit maximization and dilution of the company’s core value to serve the people.

Free Services

AGNI’s controlling family shareholders are in discussion with its family members to start a new chain of Ayurvedic hospitals in three less developed countries and to gradually expand this venture by one such country per annum. These hospitals would provide free services for people belonging to a low income segment. This project will be personally financed by AGNI’s controlling family with no involvement by the AGNI group. Part of the dividends received by the controlling family will be utilized to finance the new free hospitals which will be run by an independent team of trustees and governed by a trust.

The Non-executive directors on the board are unhappy about this project as they feel it would cannibalize the sales of present AGNI Hospitals.

AGNI Books

LINES, one of Asia's leading book publishers, have approached AGNI for a joint venture on a new project to print and distribute books on Ayurveda, Meditation, Yoga, Diet Control and Healthy Food. The CEO of AGNI Hospitals expressed concern that publishing such books might affect future sales for AGNI Hospitals as potential customers might not require services like weight reduction if they read and practice the guidelines given in the books.

On the other hand, AGNI understands that LINES is also in discussion with another chain of Ayurvedic colleges for publishing books on Ayurveda. LINES has printing facilities in ten countries and a vast distribution network that extends to almost all parts of the world. They hold long term contracts with top book retailers across the globe to place their books on prominent shelves, and also own exclusive branded shelves with some of Europe's leading book retailers.

AGNI Refresh Centers

The AGNI Group runs 125 Refresh Centers in 23 countries and has a target of adding ten new Refresh Centers every year. These centers provide yoga and meditation facilities for a standard monthly fee.

They also organize a weekly non-religious lecture series on '*Way of Life*'. These lectures are attended by people from all religions where a nominal monthly donation is collected from members for the lecture services.

These Refresh Centers organize regular adventure trips, encourage networking and handle many community development projects. They also undertake many projects to support orphanages and underprivileged children in remote areas with the support of their members. This company is faced with liquidity problems and is running at a loss. At the last management meeting, the Finance Director recommended that the company should divest their Refresh Centers if their losses continue.

The CEO of AGNI Refresh Centers is seeking approval from the AGNI Group's Board to invest US\$ 25 Million for upgrading and modernizing the Refresh Centers. He is confident that the proposed upgrades will attract more customers.

CURVES FITNESS CENTERS

CURVES is a chain of Fitness Centers operating in 10 countries in Europe. The company has floated its shares in 2009 and is in an aggressive expansion drive. The newly appointed CEO of CURVES has approached the CEO of AGNI Refresh Centers to discuss a project where CURVES could run Fitness Centers with Gym facilities in all of AGNI's Refresh Centers. In return, CURVES would pay a fixed rent and provide a share of sales to AGNI.

CURVES is confident that traffic in the AGNI Refresh Centers will increase with the launch of fitness and gym services and prove to be an opportunity to recruit new members whilst receiving additional income from CURVES. Accommodating CURVES' request is not likely to pose a major problem as most of AGNI Refresh Centers have excess space. CURVES is prepared to invest in additional construction wherever space is a limiting factor.

The CEO of CURVES also offered to put AGNI in touch with a leading European coffee chain which could operate a coffee shop in all of AGNI's Refresh Centers.

AGNI Ayurvedic Colleges

AGNI Educational Holdings Ltd (AEH) is a subsidiary of AGNI Holdings. AEH runs 5 colleges in 3 Asian Countries and has over 1000 students from twenty countries. They conduct courses in Ayurvedic studies for Bachelors degrees, Masters Degrees and for Doctoral programs. These programs have been approved and registered by the respective Governments.

AGNI Colleges provide quality education in the perennial teachings of Ayurveda and Yoga and provide training at the world renowned research and development division of the AGNI Group. The hallmark of education at AGNI is a deep commitment to the transformation of students by revealing and demystifying the wisdom of the sciences of Ayurveda and Yoga.

AGNI colleges also provide short term training programs designed for working adults and busy householders to systematically introduce the philosophy and practices of Ayurveda and help them integrate these practices into their lives. AGNI colleges also have mutual recognition agreements with many other leading Ayurvedic colleges in the world.

The Managing Director of AEH is in discussion with the CEO of AGNI Refresh Centers to promote educational programs conducted at AGNI's Ayurvedic colleges, amongst AGNI Refresh Centers' members.

Around 25% of AGNI college graduates are given employment opportunities at the AGNI Group. These colleges are identified as a good source for recruiting suitable employees and training existing employees.

At the last meeting of the Directors of AEH, it was agreed to commence distance learning courses to promote Ayurvedic education.

Press Releases

One of the major safety concerns in the Ayurvedic industry is the adulteration of herbal medicines with [materials](#) and intrinsic toxicity of herbal medications. A recent study found toxic heavy metals such as [lead](#), [mercury](#) and [arsenic](#) in 20% of Ayurvedic preparations made in South Asia. Metal adulteration is caused by contamination and carelessness during the much faster, modern manufacturing processes which does not occur in traditional methods of preparation. Press releases on toxic metals have seriously affected the image of Ayurvedic services and have led to the reduction of sales in many countries.

The Directors of AGNI Holdings had a crisis meeting last month where they discussed possible options for the next course of action, namely, how they were going to react to negative press releases and the viability of implementing one or more of the following actions:

1. Scientifically proving to the Press and Government health ministry officials that products and services of the AGNI group do not contain any toxic materials.
2. Suing the Press and the Company which published the research study.
3. Extensive press advertisements on the differentiating features of the services and products of the AGNI group.
4. Do-nothing. Some directors felt that any reaction to the press releases may create additional publicity to the issue at hand.

EXPOSE NEWSPAPER

EXPOSE is the most circulated newspaper in Asia and is perceived as unbiased, bold and courageous by its readers. A team of journalists from EXPOSE did an investigation on the spas and massage clinics operating in 5 Asian Countries, and reported that 30% of such centers use Ayurveda and Spas as a cover for illegal activities. The team collected extensive evidence comprising of video, audio and documentary proof and exposed over 100 such centers.

This has caused a wide spread alert with relevant Government authorities, where Governments have taken steps to close down most of the reported centers. The report also revealed that most of these centers are run by politicians or actively supported by them. This has led to a major debate in the Parliament of one of the countries, where politicians belonging to the opposition parties and women's right groups from a few other countries have requested that the Government take tough action against these centers and introduce legislation to register the centers. Fortunately, none of the AGNI centers were reported in the EXPOSE newspapers.

Branding

AGNI finds it very difficult to compete against alternative and competing products in the category of soaps, shampoos, hair oils and cream categories that belong to powerful global brands. Leading FMCG companies attack AGNI in most markets with a wide range of products. They buy or take a larger share of shelf space in supermarkets through line extension strategies.

The Marketing Manager of AGNI Distributors has proposed to the Board that a TV campaign be carried out for an investment of US\$ 8 Million with a team of popular international models and film stars in order to change the positioning of the brand. She feels AGNI's current brand image does not cater to youth as the average age of the current AGNI customer is 45 years. Thus, for sustainable growth on sales, AGNI needs to focus on all segments of the market.

She further proposed a major change in the packaging with recommendations for an innovative packaging that would prove competitive. This may increase the variable cost by 15% and the fixed cost by 5% due to investment in additional packaging machinery. AGNI Distributors constitutes about 10% of the overall Group performance. However she is confident that the company can boost its prices by 10% to make up the increase in costs that would inevitably occur should her recommendations be executed and earn additional profit at the same time while improving the image and competitiveness. She complained that *"while products of AGNI are authentic, the company has done nothing special in packaging to inspire confidence. Thus, although the packaging is clean and pure looking, it is slightly old-fashioned"*.

She also sent an email to the CEO of AGNI Distributors recommending that they enter the premium segment of the market by launching a new luxury Ayurvedic Brand at an investment of US\$ 1 Million. This move is expected to have an overall increase of 1% on sales revenue.

Fragrance of Oils

A recent market research study carried out by a reputed company revealed that the main weakness of the oils sold by AGNI is its fragrance. As per the research, if a customer is given a choice between Ayurvedic oil and lavender oil, he/she would choose the lavender oil because it had a more attractive fragrance. The Board of AGNI Distributors have thus requested that the R&D Division research and produce alternative Ayurvedic products of a more attractive aroma. However, one of the Directors is of the view that if AGNI shifts to fragrances similar to other products, it may lose part of its existing loyal customers.

Challenges to Ayurveda

The opportunities for Ayurveda are enormous in Asia. The only constraint is that it is not recognized in most parts of the world as a legal system of medicine/health care. Hence it does not allow qualified doctors to practice the profession, or advice and prescribe Ayurvedic and Herbal medicine.

Concurrently, more and more discussions are emerging about the source of herbs and their collection, cultivation; storage; harvesting and post harvesting practices and microbiological and other contamination characteristics.

NaTurEs Pharmaceutical Company

NaTurEs is a leading pharmaceutical company operating in ten Asian countries with an established distribution network. It is within the top ten pharmaceutical companies in the World. There are disputes between the controlling shareholders of this company and they are in the process of looking for an investor to sell their shares to. NaTurEs a few drugs producing factories for which there are no better alternatives and patent rights are due to expire in 2015. NaTurEs maintains a good relationship with AGNI and market a few of AGNI's Ayurvedic products through their distribution network.

Balanced Scorecard

The CEO of the Group strongly recommended that the Board implement the Balanced Scorecard system at AGNI. He stressed that AGNI needed to strengthen its controls and have a better system of collecting and reporting its information in a timely and accurate manner for management decision making. He suggested appointing a consultant to implement and supervise the balanced scorecard systems. The Board is split on this proposal. Some board members feel that the use of such systems will divert management's attention to numbers and indicators and result in ignoring the qualitative factors and processes that deliver results.

Organic Products

Food items that are frozen, canned, refined to denude nutritive value, genetically altered, grown with chemical pesticides or fertilizers, or processed with artificial colours, flavours, additives or preservatives are not recommended by Ayurveda. Such food lacks *Chetana* (living intelligence) and *Prana* (vital life-energy) and consuming it will disturb the intellect as well as the coordination between the three aspects of mental prowess - comprehension, retention and recall. For these reasons, Ayurveda claims it is best to choose food products that are in-season, locally grown or produced and organic.

Organic food is known to contain 50% more nutrients, minerals and vitamins than produce that has been intensively farmed. Organic foods also place less burden on the environment as growing food organically can protect topsoil from erosion.

While organic food accounts for 2% of total food sales worldwide, the organic food market is growing rapidly, far ahead of the rest of the food industry in both developed and developing nations. The world organic food market has been growing by 20% a year since the early 1990s, with future growth estimated to range between 10%–50% annually, depending on the country.

The AGNI Board of Directors intends to launch 100 new branded stores across the world for selling organic products in order to cater to the increasing global demand for it. Association of AGNI with organic food, the overall image and credibility of AGNI's Ayurvedic products and services will be improved.

Organic products are priced 10% to 65% higher than other conventionally produced products since producing food organically costs more. Organic food production is a heavily regulated industry, and in many countries, Governments require producers to obtain special certification in order to market food as "organic".

Human Resource Management

AGNI prides itself on providing high quality services. The Human Resource division regularly reviews the human resource and remuneration policy by taking into account legislation, industry practice and market conditions. However, as the Board has been under increasing pressure to reduce costs, more emphasis is being placed by the Board on individual and company performance than in determining human resource and remuneration policy as it has been practiced previously. This has caused considerable discomfort among staff over the last two years.

AGNI has faced difficult employee relations issues during the last financial year as employees have demanded higher pay and improved working conditions. Demands made by the trade unions were not met in full. The agreement between AGNI and trade unions was made on the condition that targets in productivity increases were achieved. This has resulted in a general reduction of staff and some voluntary redundancies made in order to meet productivity targets. The strong measures employed by the Human Resource division have resulted in many of the staff feeling mistreated by the company and let down by their trade union representatives, leading to poor staff morale.

Cost of Capital

Weighted Average Cost of Capital of the company has increased from 12% to 15% due to an increase in the cost of equity expectation from new institutional shareholders and increase in risk in a few markets.

Source of Financing

The Finance Director of the AGNI Group has estimated that the Group is in need of US\$ 1 Billion in additional funding to finance its expansion and has identified three potential sources accordingly:

1. Rights Issue
2. Additional Loans from the Bank
3. Issue of secured fixed rate Debentures

LM Bank

Although market interest rates have fallen, the LM Bank has not reduced AGNI's interest rate on long term loans as these loans were contracted at a fixed rate.

The Finance Director has recommended that the board obtain a new long term loan from another bank and settle the long term loan at LM Bank. The current loans are maturing in 2015, and the bank charges 10% of future interest should the loans be settled prematurely.

Appendices

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Appendix 1:

AGNI Holdings

Profit and Loss Account for the financial year ended 30th September 2009

(in US\$ Millions)

	2007/2008	2008/2009
Sales Revenue	5,557	6,003
Less: Cost of Sales	<u>(2,500)</u>	<u>(2,821)</u>
Contribution	3,057	3,182
Less: Fixed Costs	<u>(2,046)</u>	<u>(2,278)</u>
Profit before interest & tax	1,011	904
Interest	<u>(400)</u>	<u>(450)</u>
Profit Before Tax	611	454
Tax	<u>(152)</u>	<u>(113)</u>
Profit After Tax	459	341
Less: Minority Interest	<u>(400)</u>	<u>(100)</u>
Profit attributable to owners	<u>342</u>	<u>241</u>

Appendix 2:

AGNI Holdings
Balance sheet as at 30th September 2009
 (in US\$ Millions)

	30 th September 2008	30 th September 2009
Fixed Assets	15,024	16,045
Current Assets	<u>5,100</u>	<u>5,250</u>
Total Assets	<u>20,124</u>	<u>21,295</u>
Current Liabilities	2,974	3,495
Share capital & Reserves		
Share capital	10,000	10,000
Share premium	3,000	3,000
Retained earnings	2,150	2,300
Long term Liabilities	<u>2,000</u>	<u>2,500</u>
Total Equity & Liabilities	<u>20,124</u>	<u>21,295</u>

End of Scenario I

Scenario II – Continuation of Scenario I

Candidates are advised to read through the additional information provided below before attempting the question

De-merger

In view of the conflicting objectives of the Shareholders, the Chairman has submitted a proposal to the Board to de-merge its operations. He stated that his family may be willing to take 100% of the share of a few divisions which have a low profitability for strategic reasons. This issue has created a major crisis amongst the employees of AGNI, mainly with the Senior Management of a few divisions that are very profitable and who are very close to the founding family. The non-executive directors state that they would be able to earn more profits in a few divisions if they had higher control over them and are confident of providing a better return to shareholders if given the opportunity.

Ayurveda for Children

More and more people now stay at home, do the gardening and give much needed time to their families. However with the mindless adoption of the busy, modern life of today, children are often seen moving in a different direction altogether. They are nowadays assailed by a number of ‘artificial’ problems such as hyperactivity, aggression, TV-addiction, moody behavior, mental stress, examination-phobia, allergies, child-obesity, sedentariness and fatigue. They are ‘artificial’ in the sense that these problems can be attributed to the modern life that tends to alter children’s lifestyle and mental make-up from the natural way to an artificial way, for which their bodies and minds are not made. If this alarming trend is allowed to continue, the human race is heading for trouble as their posterity will not be as secure as themselves.

The best way to address this growing issue is to follow the principles of Ayurveda. According to Ayurveda, children with the above problems, although seemingly hale and hearty, are not healthy. ‘Health’ in conventional terms usually refers to only ‘bodily health’. However health from a Ayurvedic perspective refers to the summation of ‘bodily, mental and spiritual health’. Health, as per Ayurveda, is the state where bodies are balanced with the right amount of life-energies; minds are high in knowledge & purity and souls are filled with love for fellow-beings.

Parents, the child’s first teachers and school-teachers, who have a profound influence on children’s lives can do a lot to keep children at the peak of health in the Ayurvedic sense of the term. The mantra is simple – ‘let children follow diets and adopt lifestyles that are as close as possible to nature’ or ‘a natural rhythm’.

AGNI plans to launch a new set of services called KIDO that will focus on children. This program will provide children with the right food, advice, and yoga practices. They will also have a team of teachers available to help children with their home-work. This service is provided to attract busy parents who have no time to devote to their children’s education.

This program will also help boost children’s memory and concentration through a series of specially designed brain-building activities. This focuses on Logical Intelligence (working with numbers), Memory, Concentration, Visual Intelligence and Linguistic Intelligence.

This service will be provided at existing AGNI Refresh centers. The estimated cost for this project is USD \$ 50 Million, which includes extension of existing AGNI Refresh Centers, branding and provision of required facilities for children.

AGNI Café

Ayurveda recommends that all six tastes sweet, sour, salty, bitter, pungent and astringent should be present at each main meal. Carbonated drinks are said to interfere with the absorption of nutrients by the body. The AGNI Group Board has received a proposal to start a chain of fast food restaurants that serve Ayurvedic and Organic food products. The proposal suggests that these Cafés be in prominent locations in at least 10 countries and have an innovative ‘Green’ branding. The outlet will be completely environment friendly, with unique features such as the food served in leaves, selling of herbal drinks and fresh organic fruits, lots of plants inside the café, and chairs and tables made of carved wood.

Anti-dandruff

Shine is a leading anti-dandruff brand manufactured and distributed by a multinational conglomerate. They have several brands in the shampoo and conditioner category and are in the process of phasing out a few of their product lines.

The Business Development Director of the AGNI group has proposed that the company acquire the *Shine* brand at a price of US\$ 5 Million and market ayurvedic anti-dandruff shampoos under this brand name. He stressed that, with this move, AGNI’s shampoos would receive instant, favourable recognition in the market. Through herbal medicines, Ayurvedic anti-dandruff shampoos can permanently cure dandruff without any side-effects.

Anti-ageing drugs

AGNI has four different products in the ‘*anti-ageing drugs*’ category. The sales from this segment are low with no growth in the last three years. The Category Manager of these products complained that most customers do not see a major difference after consuming AGNI’s anti-ageing drugs. This issue has been included in the agenda for discussion at the next meeting of Senior Managers at AGNI Distributors. The Board has received a proposal from a pharmaceutical company to buy this range of brands with an exclusive patent right for US\$ 1 Million. This category had a sales revenue of US\$ 1 Million in the last financial year.

Ayurvedic Spas

ICC is one of the world’s leading international Hotel chains and has many premium hotels in the Asia Pacific region. They have approached AGNI to run Ayurvedic Spas in all of their Hotels in Asia. AGNI is excited about this opportunity and is in favour of accepting the offer.

The forest belonging to the Research and Development Department is one of the best locations in the world on account of its being the habitat of several endangered animals and surrounded by beautiful mountains and lakes. The ICC has also requested that AGNI lease part of the forest to construct a Star class eco-friendly hotel.

NaTurEs

Market capitalization of NaTurEs is at US\$ 25 Billion and their shares are quoted in the Singapore Stock exchange. They have an annual sale of US\$ 3 Billion with EBITDA of US\$ 548 Million. Sales have been growing at 5% per annum for the last 3 years.

The AGNI Board is seriously considering making an offer to NaTurEs shareholders for their shares. However, the price to be quoted and the source of financing is yet undecided.

At AGNI's last board meeting one of the Non-Executive Directors who is also the Deputy Chairman of the Group, suggested looking into the possibility of merging with NaTurEs if AGNI is not in a position to finance an acquisition.

Resignation of Chairman

The AGNI Group Chairman tendered his resignation last week, stating that he intended to retire due to personal reasons. This has been received with great shock by everyone. Directors have not yet informed the rest of the staff of this development. The Chairman is 83 years old and considered the father of Ayurveda in Asia. There are rumors that he intends to transfer his shares equally among his children who are directors of the AGNI Group.

WoodStone

A director of one of AGNI's herbal product suppliers, Woodstone was recently arrested by Police for adulteration. The AGNI CEO has suggested withdrawing all products made from the material supplied by Woodstone from all over the world.

As a result of this publicity, one of AGNI's oldest customers cancelled his contract with just 4 weeks notice. Loss of this contract might create an impact of US\$ 10 Million in AGNI's books. This board has not yet been informed of.

Health Warning Message

The AGNI Group's Corporate Social Responsibility Manager suggested having health warning messages in the labels of all AGNI's Ayurvedic products. This would detail the impact of excessive product usage and indicate the ideal limits of usage.

R&D Division

The Board needs advice on how to impose controls on its Research and Development Division. They are keen that the additional controls imposed should not affect the morale of their scientists, but would like to have more effective systems and procedures in place to facilitate monthly reports in order to better understand the performance, productivity and success of research projects.

LM Bank

The LM Bank currently charges 20% interest on the long term loan given to AGNI and is very reluctant for AGNI to settle its loans prematurely. They have informally warned AGNI that if they are to prematurely settle their loans, it would be difficult for them to obtain financial aid from the bank in the future.

End of Scenario II
End of Question Paper

Appendix 3:

ICMA CASE STUDY – CaS (804) March 2010 – Marking Grid

	Marks	A	B	C	D	E
1. Management Accounting Sound technical knowledge in Management Accounting	20	High level of Management Accounting awareness relating to world examples 17-20	Good Management Accounting awareness relating to case study examples 11-16	Some level of Management Accounting awareness relating to few case study examples 10-14	Low level Management Accounting awareness 5-9	Lack of Management Accounting awareness 0-4
2. Application of theories Diverse knowledge clearly applied in an analytical and practical manner in solving the problems in the case study.	20	High level of application of theory in an analytical manner in solving problems in the case study 17-20	Good level of application of theory in an analytical manner solving problems in the case study. 11-16	Some level of application of theory in an analytical manner solving problems in the case study. 10-14	Low level of application of theory in solving problems in the case study 5-9	Lack of application of theory in solving problems 0-4
3. Identifying key issues Issues to be identified and prioritized in a logical manner with a clear rationale.	10	High level of recognition of key issues and these being prioritized logically with a clear rationale. 8-10	Good level of recognition of issues and these being prioritized logically 5-7	Some level of recognition of issues and these being prioritized 3-4	Low level of recognition of issues 1-2	Lack of recognition of issues 0
4. Decision making skills Ability to recognize and present appropriate alternate solutions and make effective judgement in a logical & rational manner.	20	High level of ability to recognize and present appropriate alternate solutions and make effective judgement in a logical and rational manner 17-20	Good level of ability to recognize and present alternate solutions and make effective judgement in a logical and rational manner. 11-16	Some level of ability to recognize and present alternate solutions in a logical and rational manner 10-14	Low level of ability to recognize alternate solutions 5-9	Lack of ability to recognize alternate solutions 0-4
5. Logical arguments Ability to communicate effectively with realistic recommendations in a concise and logical manner.	20	High level of ability to communicate effectively with realistic recommendations in a concise and logical manner 17-20	Good level of ability to communicate effectively with realistic recommendations in a concise manner 11-16	Some level of ability to communicate effectively with realistic recommendations in a concise manner 10-14	Low level of ability to communicate effectively 5-9	Lack of ability to communicate effectively 0-4
6. Communication skills Style and synthesis in evaluation of a good report to higher management.	10	High level of combining ideas and experiences in a professional manner using relevant appendixes 8-10	Good style in writing a Management Report encompassing ideas and recommendations with some appendixes 5-7	Some style in writing a Management Report encompassing ideas and recommendations 3-4	Poor style in writing a Management Report 1-2	Lack of knowledge in writing a Management Report 0
TOTAL	100					