ACT EXAMINATION PAPER

Diploma in Treasury Management (AMCT)

Unit 4b: Working capital and trade finance

November 2025

This is a past paper for Unit 4a of the Diploma in Treasury Management (AMCT)

Based on the syllabus assessed from 1 August 2022.

INTRODUCTION

This past paper has been produced by the Awarding Body at the Association of Corporate Treasurers (ACT) to assist students in their preparation for the Diploma in Treasury Management assessments. It is important to highlight that the answers provided in this paper are not exhaustive and that any other reasonable answers would be awarded marks where necessary in a marked assessment. It contains a past exam for the specified unit as well as past answers. Ideally, students should have completed the majority of their Diploma in Treasury Management studies for Unit 4b before attempting this past paper.

Students should allow themselves 180 minutes to complete the exam plus an additional 15 minutes reading time. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time. Although the past exam in this guide is typical of a Diploma in Treasury Management assessment, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular exam.

To prepare properly for the examination, candidates students make full use of the tuition options where available and read as widely as possible to ensure that the whole syllabus has been covered.

ASSESSMENT TECHNIQUE

This paper is a professional paper that as well as testing theory expects application to practice at a managerial level.

The best way to approach written assessments is to work methodically through the questions. You should not spend too much time on any one question if you are struggling to think of an adequate answer. Remember you can flag any question to come back to later should you want to continue your way through the exam.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one response could make the difference between passing and failing.

Please ensure you show your workings within your answer when prompted as this means there are marks available for the workings out. You will be able to make rough workings on a piece of paper during the exam and on screen should you wish to, however these will not count towards your final mark.

ASSESSMENT INFORMATION AND TEST SPECIFICATION

The Diploma in Treasury Management Units 4A and 4B each have 3 mandatory written questions. The papers will be split into sections A and B and will involve a pre-seen case study for Section A that is released no later than two weeks prior to the assessment date. Each unit exam is worth a total of 100 marks. For the purpose of this past paper the questions follow each case study.
Diploma in treasury management assessment test specification:

Section	Amount of questions	Marks available
Section A	One case study based question	50
Section B	Two shorter case study based questions	25 marks each
Total	**3**	**100**

Under exam conditions, **3 hours** (180 minutes) is allowed for the Diploma in Treasury Management assessments plus an additional 15 minutes reading time.

When you take your actual exam, you will be sitting online using your own PC/Laptop. You have access to an online scientific calculator, but for the purpose of this past paper, you may use a non-programmable scientific calculator.

In order for you to determine how well you have performed, sample mark schemes are provided after each question. Please note that these are mark schemes only and not model answers. They provide lists of points that are expected to be covered within answers, although the content of your answers must be much more detailed (satisfying the command word used in the question, for example 'analyse'). As with all mark schemes, the content is indicative only, i.e. the lists of points featured are not exhaustive. It is highly likely that there are other perspectives and, provided these are valid and supported fully, marks would be awarded for these in a live exam. There are also references to the relevant Learning Outcomes if you need to revisit the associated material.

SECTION A

ONE long form question worth 50 marks based on a pre-seen case study. This question should test knowledge, analysis, application insight, evaluation and justification as appropriate to level descriptors. This is a professional paper and application to practice should be at 'management' level.

Total available for Section A: 50 marks

QUESTION 1: CASE STUDY

Simple Hygiene Ltd (SHL) is a health care product manufacturer based in Nottingham, England. SHL was founded in 1998 by a microbiologist and a former National Health Service (NHS) procurement director. The two founders saw a gap in the UK market for affordable hospital-grade disinfectants suitable for home use. In late 1998, SHL launched its first product, a biodegradable antibacterial spray.

SHL gained traction quickly after the 2003 severe acute respiratory syndrome (SARS) incident, as public demand for disinfection products spiked. SARS was a respiratory virus that spread internationally. By 2005, SHL had secured contracts with several NHS trusts for hand sanitisers and surface wipes, reaching annual sales of GBP4.2m.

Since 2006, SHL diversified its portfolio and introduced eco-friendly feminine hygiene products and expanded into skincare. By 2010, exports to the EU and Asia accounted for 35% of sales. In 2012, SHL opened a second manufacturing site in Birmingham, partly funded by a GBP2.5m government growth grant. Between 2014 and 2018, SHL grew at an average annual rate of 22%, reaching sales of GBP94m by the end of 2018. Private equity investors took a minority stake in 2017, valuing SHL at GBP210m.

SHL faced major challenges during the COVID-19 pandemic. While demand initially soared, SHL struggled with raw material shortages, shipping delays, and volatile prices. Its overreliance on a single Chinese supplier of ethanol caused a production halt in April 2020. Nonetheless, 2020 sales peaked at GBP186m, but margins were thin due to soaring material costs. In 2021, SHL shifted its supply chain to include UK and European ethanol producers and invested in an automated filling line, increasing long-term resilience.

By 2020, SHL already had strong brand recognition and recurring NHS contracts. This helped SHL gain a public listing on the London Stock Exchange in May 2022. The stock was initially traded at GBP3.90 per share, raising GBP150m. The funds were used to acquire a Dutch skincare company and expand into the US market. By year-end 2022, SHL posted sales of GBP198m and net profits of GBP21.5m, with over 1,350 employees across the UK, EU, and North America. However, the business has deteriorated since then. In 2023, sales fell by 32% from GBP198m to GBP134m.

Furthermore, SHL encountered many problems in 2025. The cost-of-living crisis in the UK and across the EU generally has severely reduced consumer spending on non-essential hygiene and skincare products. Additionally, the NHS, facing its own funding pressures, reduced procurement volumes by 18%. To make matters worse, SHL's US venture underperformed due to fierce competition from major US brands. In Q1 2025 alone, SHL reported a GBP9.3m operating loss.

Based on results from the first three quarters, estimated full results for 2025 illustrate a disappointing year:

- sales estimated at GBP74.6m (down 23% YoY)
- operating loss estimated at GBP17.1m
- cash balance estimated at GBP22.3m (down from GBP41.2m in Dec 2024)
- debt is estimated to reach GBP87m, with a covenant breach triggered in March 2025
- share price at GBP0.88 per share (down from an IPO high of GBP4.25 per share).

Extracts of SHL's financial standing over the past years:

GBPm					
Year	**Sales**	**Gross profit/(loss)**	**Net profit/(loss)**	**Cash**	**Debt**
2005	4.2	0.5	0.4	0.6	1.2
2018	94	12.2	9.1	6.8	10.5
2020 (COVID)	186	1.4	1.1	4.3	25
2022 (IPO year)	198	28.5	21.5	38	18
2023	134	11	8.3	34.5	55
2024	97	4.8	3.6	41.2	70
2025 estimate	74.6	(17.1)	(13.6)	22.3	87

Breakdown of SHL's debt:

GBPm				
Year	**Debt balance**	**Revolving credit facility**	**Overdraft balance**	**Long-term notes**
2022	18	10	4	4
2023	55	30	15	10
2024	70	42	18	10
2025 estimate	87	52	25	10

The weighted average interest rate on SHL's debt is 4.2%. SHL has a GBP80m Revolving Credit Facility (RCF), which was gradually scaled up each year to finance working capital gaps. The RCF matures in March 2026. SHL's overdraft has a limit of GBP50m. The long-term secured notes consist of two notes, the first one originated from the Dutch acquisition in 2022. A second one was issued in 2023. They mature in 2032 and 2033 respectively.

Details about SHL's working capital are presented below:

GBPm			
Year	**Receivables**	**Inventories**	**Payables**
2022	24.5	11	14.8
2023	31.8	14	16.3
2024	35.6	18.2	15
2025 estimate	36.4	21	12.3

Receivables

A significant portion of SHL's domestic sales were to NHS trusts and care homes, many of which stretched their payment terms beyond 90 days in 2023–2025 due to internal budget constraints. Despite clear red flags, SHL continued supplying on credit for fearing of losing major customers. In 2023, SHL aggressively entered the US market, offering extended credit terms (60 to 90 days) to distributors and hospitals. However, inconsistent demand led to rising payment terms and eventual write-downs in late 2024. The accounts receivable department didn't scale with the expansion. The team lacks experience dealing with international customers. Procedures for on-boarding customers were ambiguous, and many times left at the discretion of the receivable teams. Many customers with troubled credit history were given credit terms without a proper credit check. SHL also lacks experience credit checking overseas customers. A 2024 internal audit revealed that over GBP7m in invoices were over 90 days past due, with poor follow-up and no immediate action in place.

Inventories

SHL expanded its private-label antiseptic and personal hygiene lines in anticipation of continued post-COVID-19 demand. That demand never fully materialised, leaving warehouses stocked with slow-moving inventories. Forecasting tools were built for stable conditions and didn't adapt well to falling sales. This meant, procurement was still based on outdated demand signals, and large orders were still being placed in 2024. Despite being an international company, SHL lacked the retail infrastructure to quickly offload excess stock. Obsolete medical Personal Protective Equipment (PPE) and niche disinfectant ranges tied up warehouse space and working capital for months. By the end of 2025, over GBP4m in inventory was deemed "at risk" due to expiry. Write downs or complete write offs seem to be the only viable option regarding these inventories.

Payables

In 2024, SHL's credit rating was downgraded from A to BBB. This is because SHL breached a loan covenant in March 2025, as SHL's Net Debt/EBITDA exceeded 4.5 times and triggered a credit review. For this reason, several major suppliers had reduced payment terms with SHL, forcing a repayment term of 15 - 30 days. Shortly after the credit downgrade, SHL missed two payment windows for a key packaging supplier. The suppliers halted further deliveries pending settlement. While the dispute was eventually resolved after SHL made short-term payments using its overdraft, the suppliers now requests that all payments are made within 20 days. With reduced credibility and financial distress,

SHL has little negotiation power. Suppliers demanded faster payments and guarantees, further worsening the situation.

Shareholder discontent

A new chief executive officer (CEO) was appointed in July 2025 and announced an urgent turnaround plan involving divesting the US skincare unit, cutting 160 jobs (12% of workforce), renegotiating supplier contracts, restructuring SHL's debt holdings, accelerating R&D on high-margin medical-grade wound care products. However, shareholders remained unhappy with the situation. Many shareholders had backed SHL during its ambitious 2022 IPO, which valued SHL at nearly GBP480m. By late 2025, its market capitalisation had plummeted to just under GBP60m, a staggering 87% decline in equity value in under four years. Several high-profile investors accused SHL of overstating the revenue potential, especially around the US expansion and downplaying liquidity risks. A group of institutional investors publicly warned of potential legal action if SHL failed to provide a more credible turnaround plan in Q1 2026. SHL responded that current trends in the health care products sector are macroeconomic in nature and are affecting the entire sector. Management pointed out that the UK and EU healthcare budget cuts, global inflation and supply chain shock are also affecting peers in the sector. In a television interview, the new CEO stated: "Monetary policies in response to high inflation is hurting businesses left and right."

Many analysts are sympathetic to the CEO's view, after all interest rates are at historically high levels since 2022. The CEO also acknowledges that SHL underestimated how quickly things would deteriorate.

QUESTION 1

a.	Calculate the cash conversion cycles for the year 2022 to 2025 (inclusive). You are required to show your workings.	5 marks
b.	Assess weaknesses in SHL's receivables, payables, inventories, cash, liquidity and working capital practices. Within your answer you are required to make reference to your calculations in (a).	18 marks
c	Based on your answer in (b), recommend and justify appropriate solutions for SHL.	17 marks
d.	Considering the exchange between SHL and shareholders, discuss the impact of monetary policies on SHL's business. You must refer to economic theories in your answer.	10 marks
		Total: 50 marks

Mark scheme

Q1a

Cost of sales needs to be calculated, this is from sales - gross profit

cost of sales	
3.7	2005
81.8	2018
184.6	2020
169.5	2022
123	2023
92.2	2024
91.7	2025

2 marks

	DIO	DSO	DPO	CCC
2022	23.7	45.2	31.9	37.0
2023	41.5	86.6	48.4	79.8
2024	72.0	134.0	59.4	146.6
2025	83.6	178.1	49.0	212.7

3 marks

Total marks: 5

Q1b

Receivables *Weaknesses* DSO increasing since 2022 because receivables are increasing, this just shows poor collection management. Lack of negotiating power and hence leads to customer late payment. Poor credit control procedures and lack formal procedure for on boarding new customers. No action plan for dealing with outstanding invoices.	4 marks
Payables *Weaknesses* Payables are decreasing, which seems to indicate shorter payment terms for SHL. Though this is due to reduced sales as DPO is increasing. Missing payments and lack of bargaining power in paying suppliers. Credit downgrade, further loss of creditworthiness.	3 marks
Inventories *Weaknesses* Over-estimate of sales, poor forecasting tools. Large amount of capital tied up in inventories, GBP4m. This will need to be written off. DIO increasing substantially since 2022, from 23.7 to over 80, shows sign of poor inventory management or sign of slow sales.	3 marks
Cash *Weaknesses* RCF and overdraft balances are increasing with cash reserves decreasing, showing a deteriorating cash position. CCC is increasing substantially from 2022 to 2025 from 37 to over 200, a near 7-fold increase. Problems are happening in all aspects of trade, from payables,	

	receivables, inventory to cash management. Every aspect of trade affect SHL's cash position. Build-up of a large amount of debt, all of them in short-term forms, given the interest rate. Total interest is over GBP3.6m per year, which is almost 5% of SHL's annual sales. Did not mention cash management structure which could be useful for generating interest income or minimum interest expenses	3 marks
	Liquidity and working capital *Weaknesses* Liquidity is gradually drying up; cash can no longer cover short term debts. This is because of tied up of working capital, WC increased from 20.7 in 2022 to 45.1 in 2025; WC/Cash increased from 54% in 2022 to over 200% in 2025	2 mark
	WC WC/Cash 2022 20.7 0.54 2023 29.5 0.86 2024 38.8 0.94 2025 45.1 2.02 WC (working capital) = receivables + inventories - payables	2 marks
	Reporting either cash/WC or WC/cash is ok, as shown below Cash/WC, the decreasing ratio also demonstrated capitals increasingly trapped in trade. Cash/WC 1.84 1.17 1.06 0.49	1 mark **Total marks: 18**

Q1c

Receivables

Solutions

1. Employ a factor This basically outsources the collection part of the receivables, given how small and disorganised the receivables teams are. This is a good short-term plan.
2. Implement solution internally. Could be more costly than factoring as receivables team needs to be scaled up. Procedures need to be established regarding credit control, onboarding customers, late payment chase up and collection.
3. Build an automated system that checks credit, on boarding and automatic chases up late payment. This involves substantial capital investment.
4. Negotiate better payment term with customers and not annoying them. This might be difficult if there is intense competition.
5. Employ supply chain finance solutions, e.g. reverse factoring, if SHL's customers are big and credit worthy, and also willing to help SHL. They can set this up to give SHL payment terms. However, SHL needs to find these opportunities from its suppliers.

5 marks

Payables

Solutions

Missing payments is more like a cash flow mismatch problem. Better forecasting of cash outflows could have prevented this.

Negotiate a discount, since many suppliers are already asking for shorter payment terms. Could see if they are willing to give a discount for even quicker payment, though this decreases payables.

Shop around for better suppliers, which should be possible if the market is competitive. There should be suppliers that provide better credit terms.

3 marks

Inventories

Solutions

Develop a better forecasting model covering inventories, sales, and cash flow forecasting. Machine learning or AI based tools could be used to improve accuracy.

Just in time inventory system, though this will need data integration from customers where customers stock levels are monitored. This would need significant investment for the system.

Should have a procedure for dealing with inventories which are near expiry date. Would include selling items at a discounted price to clear stock. Partner with vendors that are willing to buy outdated inventories at scale.

3 marks

Cash

Solutions

Restructure debt positions, use long term debt to reduce short term cash need

Setup of cash management structure to take advantage of cash balance to reduce interest expenses. Sell business assets to improve cash positions, especially if these assets are not profitable. The CEO's strategy of divesting US operation is reasonable. Increase DPO and reduce DSO and DSO, an overhaul and review of SHL's trade position, reduce tied up of capital.	3 marks
Liquidity and working capital *Solutions* Much of the solution would be similar to that of improving cash and SHL's overall trade management. This is not an easy task, and success depends on all parts of SHL working together. That being said, all signs appear to suggest SHL is suffering from overtrading in a saturated market. Scale back operations (such as divesting the US operation) and concentrating in profitable markets may lead to a positive outcome. However, this means further job cuts and possible factory closure. If market is saturated, then smaller firm size (in terms of sales) could improve liquidity and working capital. As the market may not be able support SHL's original size.	1 mark 1 mark 1 mark **Total marks: 17**

Q1d

Shareholders have the right to be angry; they lost the value of their investment. The CEO's quote does have merits though. Monetary policy is the control of the economy using changes in the money supply (amount of money circulating in the economy) and interest rates. The government can choose between controlling the supply of money and/or changing interest rates. The rate of interest is determined by the interaction between the demand for and the supply of money. If there is an imbalance, caused either by an excess supply or excess demand for money, the rate of interest will change to ensure demand and supply for money is kept in balance. People demand money because it can buy goods and services. If peoples' income levels were to increase, there would be an increase in demand for money. To counteract this, if interest rates were to be raised, people would be more satisfied to keep their higher income in the form of savings, rather than consuming (as the opportunity cost of taking the money out of the bank has increased). Thus, the quantity of money demanded has been reduced. There are a few tools central banks can use to control money supply: Interest rates: governments can set the level of interest rates. In the UK, the	2 marks 2 marks

	government has given the power to set interest rates to the Bank of England, with a view to controlling inflation. This is exactly what is happening after 2022 where the interest rate has been kept high and it reduces money supply. This reduces consumption and increases borrowing costs. For example, higher central bank policy rate means higher mortgage rate which increase household cost and put pressure on consumption. This not only affects consumers, but it also affects businesses and governments. Rising interest increases borrowing cost, as mentioned in the case, NHS are also cutting budget, probably because governments have high interest expenses and less to spend on the economy.	3 marks
	Controlling the money supply: achieved through open market operations – this is where the central bank sells or buys financial securities in the open market (if they sell securities, such as government bonds they take the money they receive from buyers out of circulation. This reduces bank cash reserves and hence the amount of lending and money supply will decrease). This also affects the business environment, as central banks scale bank operations (e.g. buying fewer financial securities), there is less financial liquidity in the economy and that drives up cost of capital and reduces consumption, also reduce business activities. The decline of SHL's stock price, seems to coincide with 2022 central bank action to control inflation. If other competitors are also affected and show similar stock price decline, then the decline is sector wide and supports the CEO's view. Quantitative easing and tightening can also be done using open market operation where central bank use newly created money supply to buy financial assets from other banks. If central banks adopt a monetary tightening policy, e.g. QT, then it will further increase borrowing cost and reduce SHL's sales.	3 marks
	This mark scheme is not exhaustive – all valid points within answers will be awarded marks	
	Syllabus refs: LO21; LO22.	**Total marks: 10**
		Total: 50 marks

SECTION B – 50 MARKS

TWO longer form questions, based on mini case studies, of which both are compulsory (2 x 25 marks).

Questions test knowledge, analysis, application, insight, evaluation and justification as appropriate to level descriptors. This is a professional paper and application to practice should be at 'management' level. Candidates are expected to be able to synthesise knowledge from different elements of the syllabus rather than be tested on discrete areas.

Total available for Section B: 50 marks

QUESTION 1: CASE STUDY

Lyonbotic Ltd (LBL) is a French startup specialising in manufacturing industrial robots. Founded by a team of robotics engineers and industrial designers and headquartered in Lyon, LBL's main business focus is factory automation. LBL's machines are sleek, adaptive, and most importantly priced competitively against German and Dutch brands. With the help of government grants, LBL quickly gained market share in the EU and earned international recognition.

Since 2024, LBL has been marketing its robots aggressively outside the EU. LBL has orders from the Middle East, Latin America, and Southeast Asia. However, most of LBL's team are engineers with limited knowledge of international trade. LBL sold units on open-account terms with little payment security. Payments from clients in Brazil, India, and Egypt began to stall. Some buyers cited exchange controls and others complained about technical delays in integrating LBL's ordering systems. A few simply ignored emails after order delivery. Without proper credit checks and appropriate collection procedures, LBL's receivables kept growing. By mid-2025, more than 35% of LBL's sales are unpaid from non-EU clients. The receivables team is overwhelmed but they need to chase payments across three continents

One of LBL's largest contracts was with a Turkish conglomerate operating a food packaging facility. The EUR4m deal involved the delivery and installation of 30 robotic arms, designed to handle fragile packaging material with minimal pressure deviation. To secure the deal, LBL issued performance bonds through a French bank. Under the contract, 25% of the project value will be liable if LBL did not meet pre-agreed performance criteria. LBL has never had bonds called before.

Problems arose after the project's completion. The buyer claimed the robots delivered did not meet the agreed technical specifications, where robotic arms did not reach the intended grip sensitivity. LBL insisted that the machines conformed to the design and blamed the issues on poor setup by local technicians. However, the buyer disagreed and called the bond.

Calling the bond triggered an automatic claim at LBL's bank. A EUR1m guarantee was suddenly at risk. The bank did not honour the payout immediately, citing that the dispute was unresolved and possibly subject to contractual ambiguity. At the request of the bank, LBL posted EUR1m of collateral, reducing LBL's liquidity. The technical specification in the dispute is highly specialised and needed expert opinion. Before releasing the fund, the bank requested the beneficiary for a certificate of award by an independent arbitrator. This evidence has not been presented so far. The buyer however was not giving up and hired legal counsel in Istanbul, Turkey, to fight the case in court.

LBL feels the bond call in Turkey is unfair. With the precedent, LBL feared more bonds could be called opportunistically. LBL launched a full audit of outstanding guarantees and bonds related to overseas projects. As it turns out, LBL currently holds two tender bonds, three performance bonds, one maintenance bond and three advance payment bonds. Over EUR2.1m of capital is tied up to these bonds. Most of these bond arrangements were written quickly, negotiated by junior staff or external sales agents, and lacked unified internal oversight. Several contracts were vague on the technical criteria for performance. This leaves LBL vulnerable to subjective interpretation.

QUESTION 1

a.	Recommend and justify solutions to improve LBL's payments collection and growing receivables problems.	15 marks
b.	Discuss possible solutions to LBL's bond calling in Turkey.	4 marks
c.	Recommend and justify solutions to manage the risks associated with LBL's outstanding bond commitments.	6 marks
		Total: 25 marks

Mark Scheme

Q1a

The following techniques can be employed: Payment in advance, this is the simplest solution and very easy to implement. However, it could reduce sales from genuine customers lacking financing	1 mark
Justification: it is good to filter out bad players which simply disappear after delivery. Does not involve more cost but will involve some credit control where low credit worthy customers need to pay upfront. Maybe worthwhile to investigate incentives of the sales team to prevent hitting sales target at expenses of selling to poor credit worthy customers.	1 mark
Documentary collection, easy to implement and have low cost, though it cannot solve problem where the buyer simply ignores emails or simply defaulting on the payment.	1 mark
Justification: Documentary collection is an international payment method that processes the collection of a draft and accompanying shipping documents through international correspondent banks. All documentation needs to be prepared carefully, so LBL will have to devote sufficient resource to this process. This is not simply to ensure that documentation is accurate to allow for the collection of payment, but also to minimise the risk of goods being kept in customs, especially if import licences are required. Documentary collection can accelerate collections, is less expensive than letters of credit, and less complicated than letters of credit, provide good amount of security,	3 marks
Letter of credit: Letter of credit is a promissory document issued by a bank or another issuer to a third party to make a payment on behalf of a customer in accordance with specified conditions. Letters of credit are also known as documentary credits. Letters of credit (documentary credits) are a widely used and effective way to facilitate international trade and reduce its risk.	2 marks

Justification: The documentary credit is a conditional guarantee of payment to the beneficiary by the issuing bank. This transfers counterparty risk from the importer to the issuing bank. This gives substantial security if the issuing bank is sound. This provides protection against buyer ignoring emails or simply refused to pay. However, cost needs to be considered. It is more expensive than documentary collection, and more complicated than documentary collection to manage. There are different variations of letter of credit which could be used to, including back-to-back letter of credit, revolving credits, standby letter of credit, they should be used depending on the situation.	3 marks
Bill of exchange: The bill of exchange remains one of the key documents in international trade and is used to obtain payment, and sometimes finance, by sellers of goods. The creditor uses the bill of exchange to instruct the debtor to pay.	1 mark
Justification: The bill of exchange should be signed before LPL make any delivery. As dishonouring bill of exchange is regarded as declaring bankruptcy. It greatly reduces risk of non-payment.	1 mark
Export credit agency: An export credit agency (ECA) is a government, or government backed, agency which exists to support the country's exporters by providing facilities such as guarantees and advice. Many countries have such agencies and, there should be one in France that can assist LPL.	1 mark
Justification and typical roles of an ECA include: • insuring exporters against non-payment by their overseas buyers • helping overseas buyers to purchase goods and services from exporters by guaranteeing or funding bank loans to finance the purchases • sharing credit risks with banks to help exporters raise tender and contract bonds, in accessing pre-shipment and post-shipment working capital finance, and in securing confirmations of letters of credit • insuring investors in overseas markets against political risks.	2 marks
Other points that also relevant: Factoring, this related to LPL's receivables.	1 mark
Justification: Factoring basically outsourced the receivable functions and can save cost if LPL's internal departments is not expanding fast enough.	1 mark
	Total marks: 15

Q1b

This is obviously a conditional bond, where beneficiaries need to show documentary evidence before being paid by the bank. As LPL's bank withheld payment, this means the Turkish buyer's claim or evidence did not meet the calling condition.	1 mark
Conditional bonds requiring documentary evidence giving more protection to the applicant, since payment can be called for by the beneficiary only against production of a specified document.	1 mark
However, given the fact that LPL's bonds are drafted by junior staff and lack clarity, this means ambiguous terms or conditions that are subject to interpretation are in the bond wording. LPL and the buyer could go for an independent arbitrator. It should cost less than going into court. If the arbitrator sided with the buyer, then LPL can evaluate whether it is worthwhile to go to court. If legal cost is more than EUR1m, LPL is better off paying. All these risks could be prevented if the bond is drafted thoroughly.	1 mark 1 mark
	Total marks: 4

Q1c

LPL needs to get bond wording technically correct, so they do not have ambiguous terms where beneficiaries can interpret bond conditions in a different way.	
Getting government support on the bond. Most governmental bodies can offer a bond Insurance Policy (BIP) which can be made available on a case-by-case basis. The main types of bonds covered are advance payment bonds and performance bonds.	1 mark
The benefits of the government cover are that the applicant is: • given 100% cover • protected against loss suffered because of unfair calls by the beneficiary on the bond, or by the local bank on the counter-guarantee • protected against the risks of unfair calls under the bond, or any related counter-indemnity caused by political events, war, hostilities, civil disturbances or similar events outside the country.	3 marks
Carefully select beneficiaries, this is equivalent to credit check on customers. The track record of the potential beneficiary should be checked to see whether there is a record of unfair calling.	1 mark
LPL should also obtain finance to buffer the liquidity requirement from various bonds. Otherwise, it will run into liquidity problems again.	1 mark

	This mark scheme is not exhaustive – all valid points within answers will be awarded marks. **Syllabus refs: LO24.**	**Total marks: 6**

QUESTION 2: CASE STUDY

Lagos Concrete Plc (LCP) is one of Nigeria's largest cement producers. LCP has over 50 years of history and has a reputation across West Africa. While LCP's physical presence has expanded slowly across the continent, its internal information systems have remained largely unchanged. This is because there is hardly any personnel turnover in management positions with many employees having been in the same position for over 25 years. LCP's board sees no need for any change.

As of 2025, LCP still runs much of its core financial and operational data on a handful of standalone computers located at its head office. Critical information, which ranges from accounts receivable and payables to inventory and sales invoices, is not stored in the cloud and is not accessible remotely. Managers and accounting staff who work outside the Lagos headquarters often rely on phone calls and emailed spreadsheets to track LCP's financial position.

This outdated arrangement has created many problems in LCP's cash flow management, where no one has an overview of LCP's cash position over its 12 bank accounts. For this reason, aspects of risk management are also severely delayed and not fit for purpose. The finance team frequently finds itself making projections based on wrong data. On several occasions, treasury team members approved payments while being unaware that incoming funds had been delayed. These disconnects caused liquidity to dry up, particularly when LCP needed to pay for imported materials like gypsum and spare parts in dollars. The situation worsened after 2022, when a surge in international demand placed unexpected pressure on LCP's operational systems. With order volumes increasing three-fold in two years, LCP's ageing invoicing and payments systems just could not keep up with the volume. Invoices were often delayed, duplicated, or even lost. Several international buyers, particularly in Ghana and Cameroon, raised concerns about invoice accuracy and delivery times. Cash receipt processing became slow and error prone. Internally, the sales department would commit to export deliveries that finance had not yet cleared due to non-payment. This led to delivery bottlenecks and inconsistent customer service. LCP has long been accustomed to incremental change and hesitant to disrupt existing processes, but major changes are desperately needed.

To meet demand and reduce reliance on exports, LCP established new cement plants and operational offices in Ghana, Senegal and the Republic of Benin. Each site came with its own local sales teams, procurement departments, HR offices, and admin hubs. While this decentralised model made sense geographically, it is very challenging for LCP to manage operationally. Each country site uses its own software tools. LCP always chooses solutions that cost the least which often leads to the use of different vendors or legacy systems based on what was locally available. There was no unified enterprise system to tie operations together. As a result, coordinating inventory positions, payroll timelines and intercompany transfers is very difficult. Monthly reports from country offices would arrive in formats incompatible with head office records. The finance team in Lagos struggled to reconcile group-level balances. Country managers often made decisions without visibility into group-wide cash positions. Local teams sometimes entered into vendor agreements or delivery schedules that contradicted group policy, exposing LCP to legal and reputational risks.

Furthermore, as LCP expanded its customer base across regional markets, it encountered a wave of new customers who prefer to use money platforms for sending and receiving money. These customers, which are usually small builders and hardware shops, often lacked traditional bank accounts and found mobile money to be faster, more convenient, and better suited to their business models. For LCP, which operated with rigid bank-linked accounting, mobile money is a completely new learning experience. LCP's system was not configured to accept or disburse payments through mobile wallets, nor did it have a mechanism to automatically reconcile mobile money transactions with its ledger. Staff were forced to manually track and convert mobile money transactions into LCP's accounting system, often using

handwritten notes. Payment delays, mis-posted entries, and unreconciled balances began to grow. Disputes with customers over whether payments had been received became common.

QUESTION 2

a.	Recommend and justify solutions to LCP's operational challenges. In your answer, you must refer to LCP's historical practices and current market expectations.	13 marks
b.	Evaluate the challenges for LCP in relation to its use of mobile money. Within your evaluation, you must also recommend and justify how these challenges can be resolved.	12 marks
		Total: 25 marks

Mark Scheme

Q2a

Often in the past the treasurer's role was simply a reactive one. The treasurer took control of incoming cash when it was received by the accounts receivable team and arranged for cash to be available to meet payment obligations to, for example, existing suppliers, when advised by accounts payable. This is exactly what is happening with LCP, the treasurer plays a back-office role.	1 mark
The treasurer generally had very little direct input into the wider running of the business. There was some opportunity to use cash efficiently, such as employing a cash management structure, to make the most of LCP's cash balance. Given how little data integration is within LCP's internal system, it is difficult to make good use of LCP's overall cash position. This also means, forecasting future cash levels is a rather costly exercise and sometimes could have misleading results when data was erroneously copied.	2 marks
To solve this, LCP needs a centralised system where procurement, product distribution, expense processing, payables and receivables are all integrated together. So that information can be shared among various parts of the company. LCP needs to create a shared service centre (SSC), which is a separate, accountable entity within an organisation tasked with supplying business units with specialised services.	1 mark
Today, the role of the treasurer has changed and broadened, with a focus on risk management being very much at the heart of treasury. The core function remains the same, but the tools available to support the treasurer are much more sophisticated.	1 mark
Information from all sources is more readily available. However, LCP does not have any of that. LCP should have access to end-of-day cash balances and transaction reports, and possibly having access to data in real time. Banks increasingly offer products which allow organisations to use this information to pool cash and minimise external borrowing or maximise overnight investment. However, LCP has not used any of those services.	1 mark

Information about activities within the wider company should be available to the treasurer as technology collates data on future sales and projected production levels. Again, LCP does not have the infrastructure. Only when this data is available, the treasurer would gain visibility of activity, trends and projections throughout the whole financial supply chain. Only with this information, the treasury department can take a much more proactive approach towards managing working capital within LCP.

2 marks

Standardising processes and strengthening internal controls further. This is likely to lead to a greater degree of centralisation of certain cash management activities.
Increased convergence of cash, liquidity, risk and trade management. Cash management is not only related to ensuring solvency and the handling of payment transactions but also involves risk management and working capital management alongside the entire financial supply chain.
(Echo to implementation of TMS) increasing adoption of enterprise-wide processes and data standards, which enable organisations to simplify systems and procedures for greater overall efficiency, often leading to the development of an integrated treasury function.

2 marks

LCP also needs to centralise a lot of function to reduce cost and improve efficiency. An SSC can centralise a lot of functions such as:

- bulk payments, especially international payments
- e-commerce applications such as e-invoicing
- foreign exchange processing
- liquidity management
- account reconciliation
- trade finance.

2 marks

This will greatly reduce invoice errors, funds for payment not available, payment status confirmation, and many more. However, creating an SSC is a big investment, and it needs:

- a fully integrated accounting or enterprise resource planning systems (ERPs)
- skilled staff
- centralised cash management
- a treasury management system (TMS).

2 marks

Which involves training old staff, installing new systems, training staff on how to use the new systems. This will be a multi-year effort and a substantial investment. From a cash management perspective an SSC can lead to:

- a significant reduction in costs
- greater straight-through processing
- improved working capital position due to streamlined collections
- improved forecasting due to centralisation of financial information.

Only when the SSC and cash management structure are implemented, the treasury can manage risks that could affect LCP's financial assets and the cash flows, more importantly SSC and cash management structure increase efficiency and reduce errors in all aspect of LCP.

1 mark

Total marks: 13

Q2b

Evaluation of mobile money

In many developing markets such as Nigeria in LCP's case, access to a bank account is much less common for individuals than access to a mobile phone.

When a large chunk of the population is unbanked, it is very difficult to do business base purely on cash. That is why in these markets, mobile phone network companies have been granted regulatory authority to provide limited financial services to their customers. These companies usually partner with a bank in some way to meet those regulatory requirements. Mobile wallets can be created by the phone company that enables their customers to make and receive payments via the mobile phone. This is convenient for individuals that have no bank account and probably will not be qualified for bank accounts. — 3 marks

Individuals (or businesses) can create a wallet and deposit money into their wallet. This can be done by transferring money from a bank account, or depositing cash into the wallet via an agent of the phone company. Once the money is in the wallet, it can be transferred from one mobile wallet to the next via simple text message. This is the nature of the mobile wallet LCP has to deal with in Nigeria. — 1 mark

Many mobile phone software systems have recently been expanded to include the ability to apply for mobile loans from a bank and mobile credit card solution. What at first may seem like a retail solution, becomes a critical cash management tool for an organisation to ensure payment to suppliers or receipts from customers in the day-to-day management of the cash flow. Any value that remains overnight in the corporate's wallet would have to be properly reported in the organisation's treasury and accounting systems. Some large corporations have fully integrated mobile money into their respective ERP solutions. — 2 marks

Solutions

LCP is not technologically prepared for this, the first step is to build an ERP and TMS system so that many functions of LCP can be automated, streamlined with minimum human interaction. Once that is done, the mobile money should be integrated into the traditionally bank-orientated system. — 2 marks

For a company with retail operations in many countries it would be cumbersome to connect to each mobile wallet independently. However, there has been establishment of global multichannel payment companies that have connections with the most common mobile payment methods around the globe, for example, Ayden, Stripe and Worldpay. The case study did not mention different types of mobile wallet that are not compatible with each other. If it is the case, LCP may use a payment company to handle payments for mobile wallet customers. — 2 marks

	FinTech companies are increasing in number and scope and more capable of dealing with international payments. FinTechs initially provided services mainly to organisations but is increasingly used in conjunction with consumer mobile phone applications to integrate both the organisation and its consumers and suppliers. The adoption of these services has been accelerated during the disruption brought about by COVID-19. If the cost of integrating mobile payment is too high, ICP may choose to outsource payments to FinTech companies to handle mobile wallet and receipts. This mark scheme is not exhaustive – all valid points within answers will be awarded marks. **Syllabus refs: LO23; LO25.**	2 marks **Total marks: 12**
		Total: 25 marks

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