ACT EDUCATION

ACT EXAMINATION PAPER

Diploma in Treasury Management (AMCT)

Unit 4a: Financial reporting, tax and regulation for treasury

July 2026

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 4a 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, students should 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 three 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	1 case study based question	50
Section B	2 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

1 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

Lab Bright Diamond (LBD) is a recently established small international company specialising in the production and distribution of high-quality lab grown diamonds. Established to meet increasing global demand for sustainable, ethical and traceable alternatives to mined diamonds, LBD uses advanced manufacturing technologies to produce diamonds for wholesale markets across Europe, North America and Asia.

The annual turnover for the most recent financial year was EUR10m, with LBD experiencing steady growth year on year. LBD was recently acquired by a well-known private equity house which is keen to have an exit within the next three years.

As part of its growth strategy, LBD has recently opened a new office in London called UK Diamonds (UKD) to act as a regional hub for its UK and European operations, as well as enter a new market of selling direct to consumer.

Treasury and cash management

UKD does not yet have its own external financing in place and currently relies on short-term funding from LBD's head office in Paris through an intercompany current account, which is repayable on demand and charged interest at EURIBOR + 150bps. Head office has indicated that this funding support will be reviewed after the first full year of UKD operations and that UKD is expected to demonstrate a clear understanding of its liquidity position.

UKD's planned business model differs from LBD's traditional wholesale operations as 75% of sales will be mainly direct-to-consumer, instore and online. The remaining 25% of sales will be to wholesale customers with expected credit terms between 30 and 60 days, while customers will pay at the point of sale. However, there remains uncertainty to how quickly customers will adopt lab grown diamonds in the UK, making sales volumes and timing of cash inflows difficult to predict.

UKD will incur fixed overheads including office rent, salaries and IT systems, alongside variable costs such as inventory purchases from head office, logistics, insurance and other transaction costs. Inventory will be purchased in EUR from LBD, while most UK operating costs will be denominated in GBP. The finance manager is aware that exchange rate movements could affect both cashflows and budget assumptions but has limited experience of incorporating this into a budget.

Budget preparation challenges

The finance team in UKD consists of a finance manager and a management accountant, with the finance manager reporting to the finance director based in LBD in Paris. The finance manager is responsible for all financial reporting and accounting, as well as the treasury management of UKD. The finance director has requested that UKD prepares a detailed annual budget, including a monthly cash budget, supported by clear assumptions and sensitivity analysis. This budget will be used to assess UKD's funding requirements, interest costs on intercompany borrowing and compliance with group banking covenants.

Due to the absence of historical data, the finance manager must rely on a combination of head office guidance, market research and management estimates. Sales forecasts are particularly uncertain. Marketing has proposed ambitious growth targets to establish the brand quickly. Operations has raised concerns about inventory levels and working capital strain. LBD has also indicated that UKD must maintain a monthly minimum level of liquidity of EUR250,000 and avoid any speculative hedging arrangements.

Once approved, the budget will be used as the baseline for monthly variance analysis, with UKD expected to explain significant deviations between actual results, budget and revised forecasts to head office.

Financial reporting and compliance

As a newly established UK subsidiary, UKD is required to prepare statutory financial statements under UK company law while also reporting financial information to LBD for group consolidation under IFRS. The finance manager has limited experience of IFRS reporting but has the responsibility to ensure that treasury-related transactions, including intercompany funding, foreign currency transactions and interest charges, are appropriately reflected in the financial statements.

UKD's treasury activity is expected to increase as the business grows, particularly in relation to foreign currency exposure arising from EUR inventory purchases, GBP operating costs and GBP revenue from customers. Management is aware that these transactions may give rise to accounting complexity and disclosure requirements, but there is currently no formal treasury accounting policy in place at UKD.

Disclosures and stakeholder expectations

LBD has highlighted the importance of producing clear and transparent financial information, particularly as LBD's PE owners are keen to exit in three years. Any weaknesses in financial reporting, treasury disclosures or risk management could negatively affect lender confidence and the exit process.

UKD will be required to provide information to support group disclosures relating to risk, including qualitative explanations and quantitative data. The finance manager must work closely with the finance director to ensure that the information provided is complete, and consistent with group policies, while avoiding disclosure of commercially sensitive information.

International tax and funding

As LBD expands its international footprint, senior management is reviewing how UKD should be funded on an ongoing basis. Initial funding has been provided through intercompany loans from LBD

but management is considering whether future growth should be supported through additional debt funding, equity injections, or a combination of both.

Interest charged on intercompany loans is currently based on group policy, but there has been limited benchmarking against third-party market rates. The finance manager is aware that tax authorities may scrutinise the pricing, particularly given the differing tax rates between jurisdictions in which LBD operates.

Tax regulation

LBD tax advisers have warned that recent international tax reforms, including OECD Base Erosion and Profit Shifting (BEPS) initiatives, are increasing scrutiny of profit allocation, interest deductibility and transfer pricing arrangements. There is concern that excessive reliance on intercompany debt could restrict tax relief for interest costs or lead to adjustments by tax authorities under thin capitalisation or interest limitation rules.

Senior management is also conscious of reputational risk and does not wish to adopt aggressive tax planning structures that could attract negative attention, especially given the group's positioning as an ethical and sustainable business. As a result, treasury and tax teams are expected to work closely together to ensure that funding and pricing arrangements are compliant with regulations and aligned with the group's risk appetite.

AML risk

As part of its new direct-to-consumer strategy, UKD will accept payments from customers across multiple jurisdictions through online payment platforms. Some customers who will want bespoke creations will be high-net-worth individuals. The finance manager is concerned that the nature of high-value and cross-border payments could increase exposure to money laundering and sanctions risk.

The finance manager will be responsible for setting up new bank accounts, approving payments to overseas suppliers and receiving funds from customers and distributors. However, there is currently no formal AML or KYC policy in place at UKD. Customer onboarding processes are being designed by the LBD commercial team with limited input from compliance. Senior management is aware that any failure to comply with AML and sanctions requirements could lead to regulatory action, fines and reputational damage for both UKD and the wider LBD group.

LBD has indicated that UKD must align with group-wide AML and sanctions screening procedures, including customer due diligence, on all bespoke orders of jewellery over GBP10,000. They are aware of the current finance team's limitations and experience, so the finance director has raised some concerns to the CEO.

QUESTION 1

a.	Discuss the key challenges UKD faces in preparing its first budget and cash forecast. In your answer, you must also recommend effective budgeting and forecasting techniques which could be used to support liquidity management and decision-making.	15 marks
b.	Analyse the risks to UKD arising from weaknesses in the reporting and disclosure of its treasury activities. In your answer, you must explain how the treasury function can mitigate these risks.	15 marks
c.	Evaluate how international tax regulation could influence the treasury funding structure of UKD. In your answer, you must discuss transfer pricing and interest limitation rules.	10 marks
d.	Evaluate the implications of AML, KYC and sanctions requirements for UKD treasury operations as it expands its cross-border and direct-to-consumer activities.	10 marks
		Total: 50 marks

Mark Scheme
Q1a

No historical data suggests reliance on assumptions, market research and head office guidance	1 mark
Uncertainty of sales volumes and timing due to new UK direct-to-consumer model	1 mark
Tension between ambitious marketing targets and operational/working capital constraints	1 mark
Mixed revenue profile (D2C cash vs wholesale 30–60 day credit) affecting cash timing	1 mark
FX exposure (EUR inventory vs GBP revenues/costs) affecting forecast accuracy	1 mark
Fixed overheads vs uncertain revenue ramp-up increasing liquidity risk	1 mark

Intercompany funding repayable on demand creating liquidity vulnerability	1 mark
Requirement to maintain minimum liquidity buffer (EUR 250k)	1 mark
Limited treasury experience in UKD finance team	1 mark
Budgets as targets and performance control tools vs forecasts as best estimates of expected outcomes	2 mark
Importance of rolling cash forecasts for liquidity	1 mark
Short-term vs medium-term forecasting horizons	1 mark
Techniques and recommendations (up to 4 marks)	
Rolling 13-week cashflow forecast	1 mark
Monthly cash budget linked to budgeted P&L	1 mark
Sensitivity and scenario analysis (sales adoption, FX, inventory levels, receivable timing)	1 mark
Regular reforecasting and variance analysis	1 mark
Clear documentation of assumptions	1 mark
Close coordination between finance, sales and operations	1 mark
Use of forecasts to support funding decisions and covenant compliance	1 mark
	Total marks: 15

Q1b

Risks (up to 8 marks)	
IFRS and UK statutory reporting risk for intercompany loans, FX and interest	1 mark per point
Misstatement risk in group consolidation, especially if handled by less experienced accountants	
Inadequate disclosure of FX, liquidity and funding risks	
Reputational risk impacting PE exit issues/constraints	
Lender confidence risk due to weak transparency	
Governance and control weaknesses in treasury	

Increased risk of error or fraud due to limited segregation of duties Risk of non-compliance with group reporting policies Lack of history for comparables **Mitigations (up to 7 marks)** Formal treasury accounting and reporting policy Training/support on IFRS treasury topics Standardised reporting templates to group Regular reconciliations and independent review Clear FX accounting and documentation Strengthened internal controls and approvals Enhanced qualitative and quantitative disclosures Increased oversight by group treasury and group finance	**Total marks: 15**
Q1c	
Tax impacts (up to 6 marks) Arm's length pricing requirement for intercompany interest Risk of tax authority challenge if pricing not benchmarked Interest limitation/thin capitalisation rules restricting deductibility Withholding tax on cross-border interest payments Potential tax inefficiencies between jurisdictions Reputational risk from perceived aggressive tax planning Increased scrutiny under BEPS initiatives **Influence on funding structure (up to 4 marks)** Greater use of equity or balanced debt/equity mix Benchmarking and documentation of intercompany loans	1 mark per point

Consideration of third-party debt Treasury–tax coordination on funding design Review of WHT exposure and treaty relief	**Total marks: 10**

Q1d

Risks & implications (up to 6 marks) High-value jewellery transactions increasing AML exposure Cross-border payments raising sanctions risk Online payments increasing fraud/AML risk High-net-worth bespoke customers requiring enhanced due diligence Regulatory fines and reputational damage risk Bank relationship risk if compliance weak Impact on PE exit if compliance failures occur **Treasury responses (up to 4 marks)** Formal AML/KYC/sanctions policy implementation Risk-based customer due diligence thresholds Transaction compliance monitoring and escalation Treasury involvement in onboarding and payment approvals Staff training and group policy alignment Ongoing review and audit of controls This mark scheme is not exhaustive – all valid points within answers will be awarded marks. **Syllabus Refs:** 4a.1.2, 4a.2.1, 4a.3.3, 4a.5.2	1 mark per point **Total marks: 10**

Total: 50 marks

SECTION B – 50 MARKS

2 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

Aurora Destinations Group (ADG) is a large international destination management company (DMC) headquartered in London, providing bespoke travel experiences for international clients. ADG operates through subsidiaries in the UK, Ireland, Spain and Norway, and uses EUR as a functional and presentational currency. Despite facing challenges through COVID-19, ADG has recovered well and is growing organically around 10% each year.

The board and the owners are keen to grow and expand strategically and had the opportunity to acquire a smaller DMC in Norway that compliments the whole Group. Earlier in the year, ADG acquired 100% of Norway Nordic Tours (NNT), specialising in luxury and adventure travel in Scandinavia.

NNT was a family-operated business with a focus on sales and operations, rather than back-office functions such as finance or treasury. All banking relationships, foreign currency transactions and accounting was handled by one of the owners. Both organisations are very excited to have joined forces but the integration of NNT into the ADG group has highlighted gaps in financial governance, risk management and reporting practices.

Treasury structure

ADG operates a largely centralised treasury model from London. Group treasury is responsible for liquidity management, external funding, FX risk management, banking relationships, cash pooling and intercompany funding. Subsidiaries participate in group cash management arrangements and are required to follow group treasury policies, with limited authority to enter financial contracts independently.

Following the acquisition, ADG must decide whether to fully integrate NNT into the centralised treasury model or allow a more decentralised approach to be designed in Norway. Group treasury believes that centralisation would improve visibility and have tighter controls. However, NNT management has expressed concern that full centralisation could reduce operational flexibility and slow decision-making in a market with unique seasonal cashflow patterns. The business experiences significant seasonality, with high cash inflows during summer months and liquidity pressure during Q1 as the winter season eases. Local management argues that some degree of decentralised treasury

execution may be necessary to respond quickly to local suppliers, many of whom require settlement in the local currency Norwegian Krone (NOK) on short notice.

The ADG board has requested a formal assessment of the risks and benefits of centralising treasury activities at NNT versus adopting a hybrid model in which policy, risk management and funding are centralised, but certain operational activities remain local.

Tax risks

In the short term, ADG has provided some intercompany funding to NNT to fund the integration. The loan is interest-bearing, and the pricing of this funding has not yet been formally benchmarked against market rates, as the chief financial officer (CFO) mentioned that this is low risk.

The intercompany funding arrangements between ADG and NNT result in interest income being recognised in ADG and interest expense being recognised in NNT. The UK and Norway apply different corporate tax rates to interest income and interest expense, and the tax treatment of these amounts differs between jurisdictions. The group has not yet undertaken a detailed analysis of the net tax impact of these arrangements at a consolidated level.

Tax advisers have warned that poorly structured intercompany funding could lead to tax authority challenges, including penalties. Given ADG's premium brand positioning and reliance on long-term relationships with corporate clients and luxury travel partners, senior management is keen to avoid any perception of aggressive tax structuring. Group treasury has therefore been asked to review the funding structure and recommend mitigations to ensure compliance and limit challenge from the authorities.

QUESTION 1

a.	Evaluate whether ADG should adopt a centralised or decentralised treasury organisation for NNT and the Group, with justification to provide for the board.	13 marks
b.	Analyse the key tax risks faced by ADG. In your response, you must provide **THREE** recommendations that the group treasurer can present to the board to mitigate the risks.	12 marks
		Total: 25 marks

Mark Scheme

Q1a

Advantages and disadvantages of a centralised structure (up to 5 marks) Improved visibility and control over cash and liquidity across the group Stronger governance and consistent treasury policies and controls Centralised FX risk management for NOK exposures Reduced bank fees and better pricing through group banking relationships Better use of specialist treasury expertise Potential for internal hedging for offsetting positions Potential loss of local responsiveness to seasonal cashflows and urgent NOK supplier payments Risk of slower decision-making and reduced local accountability **Advantages and disadvantages of a decentralised structure (up to 4 marks)** Greater operational flexibility and faster response to local suppliers and seasonality Better understanding of local market practices and banking requirements Increased risk of inconsistent controls and governance weaknesses Higher operational and financial risk due to lack of specialist treasury expertise	1 mark per point

Reduced group visibility of cash and risk exposures Potential duplication of banking relationships and higher costs **Recommendations (up to 4 marks)** Recognition that NNT currently lacks treasury capability and governance Recommendation of a hybrid model (e.g. policy, funding and risk management centralised; operational execution local) Justification linked to seasonality, NOK settlement requirements and need for control Consideration of transitional arrangements and change management	**Total marks: 13**

Q1b

Key tax risks (up to 9 marks) Transfer pricing risk due to lack of benchmarking of intercompany loan pricing Risk of challenge by tax authorities on arm's length nature of interest rates Potential withholding tax on cross-border interest payments Differences in tax treatment of interest income and expense across jurisdictions Potential tax arbitrage or inefficiency at group level Risk of penalties and interest arising from tax authority challenge Reputational risk inconsistent with ADG's premium brand positioning Governance and compliance risk due to lack of formal treasury-tax coordination **Recommendations (up to 3 marks)** Benchmark intercompany loan pricing against third-party market rates and document transfer pricing policy Review funding structure (e.g. mix of equity and debt) to manage interest deductibility and leverage Assess and manage withholding tax exposure (e.g. treaty relief, gross-up clauses, cashflow planning)	1 mark per point

	Strengthen coordination between treasury and tax functions Implement formal governance and documentation for intercompany funding Consider advance tax rulings or external tax advice Regular review of tax impacts of treasury decisions This mark scheme is not exhaustive – all valid points within answers will be awarded marks. **Syllabus refs:** 4a.1.1, 4a.3.1	**Total marks: 12**
		Total: 25 marks

QUESTION 2: CASE STUDY

Orion Living Group (OLG) is a German-headquartered retailer and distributor of home furnishings and lifestyle products, operating across the UK and Western Europe.

OLG has been in operation since 1980. However, in the last few years, it experienced a sharp downturn due to inflationary pressures on consumers, supply-chain disruption and an increase in competitors selling products at a highly discounted amount. Group revenues have been falling year on year since 2021.

Refinancing

By mid-2025, OLG faced tightening liquidity as its existing revolving credit facility (RCF) was approaching maturity. OLG entered into urgent negotiations with its banking syndicate in September 2025 for new facility arrangements. The new facility comprises a EUR25m committed RCF and a EUR50m term loan, with tighter pricing and enhanced covenant protections for lenders reflecting OLG's weakened credit profile. Since September 2025, OLG has made a drawdown of EUR15m in the RCF and used most of the term loan to bulk purchase inventory to avoid supply chain disruption.

As part of a wider cost-reduction programme, OLG reduced headcount across corporate functions. The treasury team was cut from four to one, leaving only the head of treasury in post. The head of treasury now manages liquidity forecasting, bank relationships, covenant reporting, FX exposures and compliance with facility documentation, in addition to supporting ad-hoc refinancing discussions with lenders.

Financial covenants

The new financing documentation includes maintenance covenants tested quarterly, calculated on a consolidated basis. Key covenants include:

- leverage ratio (Net debt / EBITDA): maximum 1.5x
- interest cover ratio (EBITDA / Net interest): minimum 3.5x.

The facility agreement defines net debt as gross borrowings less cash and cash equivalents, and EBITDA as earnings before interest, tax, depreciation and amortisation, calculated on a last-twelve-months (LTM) basis. The head of treasury is responsible for preparing and submitting the covenant compliance certificate to the agent bank within 20 business days of each month end.

On 31 December 2025, the following consolidated figures were reported (EURm):

EURm	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25
Revenue	93.0	89.0	91.0	87.0	84.0	86.0	81.0	79.0	77.0	75.0	73.0	71.0	69.0	75.7	65.0	63.0
EBITDA	12.2	11.3	11.6	10.7	10.1	10.4	9.2	8.8	8.1	7.6	7.3	6.7	6.1	8.8	5.4	5.1
Finance costs	(1.8)	(1.9)	(1.9)	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)	(2.3)	(2.4)	(3.3)	(3.3)	(3.3)	(3.3)
Cash & cash equivalent	6.0	5.4	7.5	7.2	7.0	7.1	7.5	5.3	5.1	5.4	5.5	5.2	50.4	9.5	8.9	7.5

ESG and sustainability

Following the recent financing, OLG's lenders have increased their focus on the group's environmental, social and governance (ESG) profile as part of their ongoing credit assessment and to try and win new customers. Relationship banks have indicated that future access to funding and pricing may increasingly depend on OLG's ability to demonstrate credible ESG performance and transparent non-financial reporting alongside its financial disclosures.

OLG sources a significant proportion of products from overseas suppliers operating under differing environmental and labour standards. ESG information is currently collected inconsistently across subsidiaries, with no central reporting framework or formal governance over ESG metrics or controls. While the current facility does not include sustainability-linked features, lenders have indicated that ESG-linked KPIs or pricing adjustments may be considered in future refinancings. The board has asked management to consider how ESG expectations may affect OLG's access to finance, cost of capital and lender relationships in the context of its ongoing financial pressures.

QUESTION 3

a.	Calculate whether OLG was in compliance with the leverage and interest cover covenants on October '25, November '25, and December '25.	8 marks
b.	Analyse the implications of the results and give **THREE** recommendations that head of treasury can give to the board.	7 marks
c.	Evaluate how ESG reporting requirements and sustainability considerations affect OLG's treasury function and its access to finance following the recent refinancing.	10 marks
		Total: 25 marks

Mark Scheme

Q2a

	Oct	Nov	Dec
Revenue	948.7	922.7	898.7
EBITDA	105.4	99.2	93.6
Finance costs	- 28.1	- 29.5	- 30.8
Cash and Cash equivalents	9.5	8.9	7.5
RCF	25	25	25
Term Loan	50	50	50
	75	75	75
Net Debt/EBITDA	0.6	0.7	0.7
EBITDA/Net Interest	3.8	3.4	3.0

1 mark per point

Example October (based on LTM for P&L and cash position at month end)

Net Debt/EBITDA = 15m + 50m = 65m – 9.5m = 55.5m / 105.4 = 0.5x
EBITDA/Net Interest = 105.4m/28.1 = 3.8x

Leverage ratio – covenant passes each month

Interest cover – covenant passes Oct but fails Nov and Dec

Implications (up to 4 marks)

Consequences of covenant breach, including potential event of default, lender rights to accelerate facilities or impose restrictions

Could impose actions to make the business behave as if in administration - such as redundancies, asset finance, providing collateral

Increased lender scrutiny and reduced flexibility following breaches soon after refinancing

Risk to liquidity and business continuity if waivers are not obtained

Impact on pricing, availability of future funding and refinancing risk

Reputational and governance implications of breaches arising shortly after a refinancing

Risk that covenant headroom is eroding and that further breaches may occur if EBITDA continues to decline or finance costs increase

Recommendations (up to 3 marks)

Engage lenders early to seek waivers or covenant resets

Improve forward-looking covenant forecasting and stress testing

Review capital structure and funding mix (e.g. deleveraging, equity injection, asset disposals)

Consider cost reduction or margin improvement initiatives to protect EBITDA

Strengthen treasury governance, controls and resourcing to reduce key person risk, assuming head of treasury is stretched thin

Introduce early warning triggers for covenant headroom

Total marks: 13

Q2b

Potential requirement for external assurance or verification of ESG data, increasing cost and complexity for treasury and finance which will require resources, at a time when the team has been let go, the big risk is that mistakes are made and key deadlines are missed.

Need for treasury to factor ESG risks into counterparty selection and bank relationship strategy (e.g. choosing lenders with strong ESG credentials)

Impact of ESG performance on investor sentiment and refinancing optionality, particularly if OLG seeks alternative funding sources

Requirement for treasury to support ESG-related disclosures in debt documentation and ongoing reporting to lenders

	Potential need to integrate ESG metrics into internal performance management and covenant-style monitoring Risk that inconsistent ESG data could delay refinancing processes or amendments to facilities Treasury involvement in assessing the financial impact of ESG investment decisions (e.g. capex for energy efficiency vs short-term liquidity pressure) Need to establish clear ownership and accountability for ESG metrics to avoid gaps in reporting and governance Consideration of regulatory ESG disclosure requirements and their interaction with lender expectations Risk that weak ESG practices in the supply chain could trigger lender concerns or exclusions under bank ESG policies This mark scheme is not exhaustive – all valid points within answers will be awarded marks. **Syllabus refs:** 4a.4.1, 4a.5.3	1 mark per point **Total marks: 12**
		Total: 25 marks

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