Chartered Professional Accountants | CPA PROFESSIONAL PROGRAM

CPA Professional Program Exams – CPA Leadership

SleepNest Inc.

Sample Case, Illustrative Response and Assessment Mapping

The sample examination questions provided in this package are intended to offer a general indication of the format, structure, and nature of questions that candidates may encounter. While these materials have been developed with careful consideration and are intended to be broadly representative, they are not exhaustive and cannot capture the full range of possible question variations. These samples should therefore be used as a guide rather than a definitive representation.

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SleepNest Inc. (Suggested Time: 300 minutes)

SleepNest Inc. (Nest) is a privately owned company that offers sleeping pod rentals in airports across Canada. Nest was incorporated in 2022 by Andrew Blackburn, CEO and chair of the board of directors, and Jasmine Giroux, vice president of operations. Each owns 50% of the shares. Nest prepares financial statements under ASPE, and its year-end is December 31.

You, CPA, work at AB Consulting Limited, and your firm has recently been engaged to help Nest with growth opportunities, operational decisions, and any other issues. Today is January 27, 2027, and you meet with Jasmine and Andrew for the first time.

CPA: I am happy to meet you both. Can you tell me a little bit about yourselves?

Andrew: I've been an entrepreneur since I graduated from college with a degree in social science. I opened a gas station that I operated for a few years, then sold it to open a restaurant. Then, I sold my restaurant and opened a microbrewery with a friend of mine. I finally sold my shares in the microbrewery to start Nest with Jasmine.

Jasmine: I have a bachelor's degree in architecture and worked for an architecture firm until we opened Nest.

CPA: So, what is bringing me here today?

Andrew: So much has happened this past year, I don't know where to start.

CPA: Let's start at the beginning.

Andrew: Jasmine and I are old friends and we love to travel. The idea to create Nest came after we stayed in sleeping pods during an overnight layover while we were travelling in Asia. They represent a cheap and practical solution for temporary accommodations for travellers, but the product offering in the international market is somewhat basic. We had the idea to bring this innovative solution to Canada but make it more comfortable yet still affordable. Jasmine developed the prototype design for our pods *[he points to the following picture on the wall]* and the rest is history!

AI Generated Concept Image 1 - Sleeping Pod

Nest is currently the only player in the Canadian market. There are a few competitors in the American market, but the product offering is very different, with nap pods consisting of recliner chairs with a soundproof bubble-like head cover. [*He shows you the following picture on his phone.]*

AI Generated Concept Image 2 – Nap Pods

Jasmine: We ran a pilot project at the Montréal airport, and it was a success! Then, we progressively opened new locations. Most are doing great, but a few have low occupancy rates. I am currently working on identifying the cause of the issues. For example…

Andrew: [*Andrew cuts Jasmine off*] Let me add something, Jasmine. The way we operate is simple. We rent space in airports, then we install our sleeping pods. All we need is a space with access to power located near public restrooms. The pods can easily be moved if needed.

CPA: I have seen your pods at the Toronto airport and wondered how they work.

Andrew: Visibility is a key factor to our success. When people see our pods, they usually want to know more about them, so the more people travelling through an airport, the better.

CPA: What is your average client demographic?

Jasmine: Our clients have a variety of profiles, but we have a concentration in two segments. The first are business travellers, typically between 25 and 55 years old. They use our pods because they are convenient. These clients are not very price sensitive, since they are usually able to expense the cost to their employers. They usually use them during long layovers or delays or when they have early morning flights. Second, we have international leisure travellers. This segment is a mix of solo

travellers and couples. Location is key because they want to stay close to the airport. They are also very price sensitive, so the affordability of our pods drives a lot of demand from this segment.

CPA: Interesting. Jasmine, you told me you needed some help with Nest. Can you elaborate?

Andrew: Before we get into where we need help, let me share some additional background information, including the internal financial statements, (Appendix I).

All our pods are currently located in airports, but I think our business model would work well in urban areas too. I have been working on a new project. I found out that TrueNorth Hotels (TrueNorth) is up for sale. This acquisition would allow us to break into a new segment of the hospitality market. I would like your advice on this opportunity. I gathered all the information we have about TrueNorth, including their Income Statement for 2026 (Appendix II). Please also perform an analysis of the risks and opportunities of this acquisition to help us make a decision. I'm sure you'll agree we cannot miss out on this fantastic opportunity.

Jasmine: TrueNorth shareholders are asking for $19 million. I think it's too much, Andrew. It would be a huge risk for Nest.

Andrew: You know what I always say Jasmine—no risk, no reward!

CPA: Andrew and Jasmine, do you have money you could invest personally to help pay for this acquisition?

Andrew: Most of my savings are already invested in Nest. I would count on a loan from our bank.

Jasmine: I don't have much in personal funds to invest. I would rather make cautious financial decisions.

CPA: Okay. Is this the only expansion project Nest is currently considering?

Andrew: No, I want to open a new airport location in the United States. Nest now has sleeping pods in most of Canada's main airports, so there are few opportunities left in the Canadian market. I wanted to start big and open many US locations at once to make a big impact on the US market. However, Jasmine has convinced me that we would be better off starting slowly and launching a pilot project in one airport to test the US market. I've been negotiating with 3 potential airports that are interested in our pods. I gathered some data and information about them (Appendix III) and

would like your insight on which location would be the best option for the pilot project.

Jasmine: But before we can figure that out, don't we need to understand what is determining whether our current locations are successful first?

Andrew: Sure, but we can't forget to tell CPA about our new app! To be honest, Jasmine didn't think we should take this project on last year, but I got it done.

When we started our operations, we used third parties' websites and apps for clients to reserve our pods. That was easy, but commission fees became a significant operating cost. In 2026, we launched our own reservation system (Appendix IV), which is great except for a minor design flaw. But nothing is perfect, right?

Jasmine: CPA, could you analyze our response to the issue and provide insight on how we can better handle the app's data?

CPA: It looks like it's been a busy year. Will I be presenting my work to you or the board of directors?

Andrew: It's the same thing, since the board is me and Jasmine. We don't really have a formalized decision-making process. We've always operated that way, and it has worked well.

CPA: To help me better understand Nest, can you tell me about your mission and vision statements?

Andrew: Mission and vision…? We've never really discussed that, but in my opinion, we want to be the leader in sleeping pod accommodations.

CPA: Okay. Do you need my help with anything else?

Jasmine: Yes, CPA. I am responsible for monitoring the profitability of our current locations. Since the beginning, we've used a rate per timeslot approach. Some of our locations are very busy, so I am sure we could do something to help increase their profitability. I gathered some information about how we would apply demand-based pricing (Appendix V). Could you analyze our current pricing model and let us know if demand-based pricing is more appropriate? What demand drivers should we use if we go with the demand-based pricing model we are thinking of?

Also, we currently assess the performance of our locations solely on their profitability. Could you help us develop other performance measures to monitor our locations' overall performance?

Andrew: One last thing. If you notice any potential financial reporting issues, please let us know so we can fix them before we submit our statements to our auditor.

CPA: Will do. Nice meeting you both.

Jasmine: I will walk you to the elevator.

Andrew: Thank you, CPA.

Jasmine: [*While walking you to the elevator*] Thank you for your help. I'm happy I managed to convince Andrew to hire your firm. Andrew has big dreams, and that's something I like about working with him; however, I'm having a hard time keeping up with his pace, and he makes a lot of the decisions on his own or based on instinct. I hope that with your help we will improve our approach to decision-making.

CPA: Thank you for sharing, Jasmine. Goodbye.

You return to your office and start to prepare a report that addresses Andrew and Jasmine's questions, as well as any other issues you feel a CPA in this role should discuss, prioritizing the most important ones.

Appendix I
Background Information

General Information

As of today, Nest owns and operates 360 sleeping pods spread across 10 Canadian airports. The pods are manufactured by a construction company in Hawkesbury, Ontario, and cost $6,500 each.

In addition to Andrew and Jasmine, Nest has a workforce of 8 employees at its headquarters in Montréal. The team includes an information technology (IT) technician, an accounting clerk, an administrative assistant, two customer service employees, a marketing specialist, a general manager, and an operations manager. Nest also has a team of cleaners to clean the pods between guests.

Locations

Nest opened its locations gradually, starting with the major airports (Montréal, Toronto, and Vancouver), and then targeting mid-sized airports. The newest locations are in small airports, since there are few opportunities in the Canadian market.

Airport space rental is the most significant and main cost driver for Nest's operations, since renting a space in a highly trafficked area like an airport can be very expensive.

Airport	Location	Pods	Start Date	Revenue (2026)	Rent Expense (2026)	Occupancy
YYZ	Toronto	85	Dec 5, 2022	1,629,850	1,275,000	44%
YUL	Montreal	60	Jan 8, 2022	1,829,300	702,000	70%
YVR	Vancouver	50	Apr 15, 2023	1,603,950	808,000	73%
YYC	Calgary	40	Aug 21, 2024	854,250	360,000	49%
YHZ	Halifax	30	Jun 11, 2025	902,850	402,000	69%
YOW	Ottawa	30	Aug 24, 2023	804,720	289,000	61%
YQB	Québec City	25	Oct 10, 2025	703,280	213,000	64%
YEG	Edmonton	20	Jan 31, 2025	290,000	281,000	23%
YYJ	Victoria	10	Jul 9, 2026	125,950	44,000	52%
YWG	Winnipeg	10	Feb 17, 2026	60,000	71,000	12%

Appendix I (continued)
Background Information

Occupancy Rates

The occupancy rates are calculated based on the actual number of hours the pods were occupied in the 24 hours a day they were available. One of Nest's main challenges is increasing occupancy rates. The demand for pods is usually high but they are often unavailable because they have not been cleaned yet.

Nest's clients behave differently than the typical clients in the hospitality industry. Sleeping pods are often used on a spontaneous basis when clients need temporary accommodations while travelling through an airport.

The occupancy rates of the pods follow the same patterns as the volume of travellers in airports. Fridays and Sundays have the highest occupancy rates, followed by Thursdays, Saturdays, and Mondays, with average occupancy rates. The quietest days are Tuesdays and Wednesdays. Occupancy rates are also higher at night and lower during the day.

Seasonality also affects occupancy rates, following the same seasonal peaks as the airport.

Other factors that affect occupancy rates are more unpredictable. For example, when a location has unexpected and unfavorable weather conditions that force delayed or cancelled flights, the occupancy rate at that airport is at its highest.

Clients' Feedback

New in 2026, all guests are invited to post a review online after their stay. Jasmine implemented this process to help her better understand the locations' performance. Here are the most relevant comments that caught her attention:

Toronto

"The pods are great, but good luck finding them. It took me an hour to find mine because they are located far from departures, in the farthest terminal."

"I love the concept and was able to use it once, but every time since then there hasn't been any availability. The pods were empty but not yet cleaned."

"These pods are fantastic and so inexpensive. You get your own private space at the airport at a fraction of the price of the hotels next door."

"I like the idea, but I find the pods too far from security."

Appendix I (continued)
Background Information

Montréal

"Great experience! The pods are very comfortable and quiet. I had a great rest before my flight. You can count me as a new customer. 5 stars!"

"My pod was very clean, and the location right next to departures made it very convenient."

"I felt safe in my pod. Fantastic option, and so much cheaper than renting a hotel at the airport."

"What a great solution! Montréal has a high number of overnight layovers. These pods are so handy. No need to sleep on a bench or book an expensive hotel anymore."

Vancouver

"Wow. I'm in love with the concept. The pods are so cheap, and you get your own space at the airport. I'll never book a $400 hotel room ever again when I can have a pod for 12 hours for $65."

"Overall, great experience. The staff was very responsive. I had trouble accessing the pod, so I called the customer service line, and they were able to help me very quickly."

"I'm disappointed because I wanted to reserve a pod, but they were all booked."

Ottawa

"I often catch an early flight to Toronto for work. I find these so convenient. Instead of being stressed in the morning, I book one for the night before. I've stayed at least 20 times in these, and it's always been great."

Winnipeg

"The location is good, since the pods are very close to security. However, it's so noisy. I could barely sleep, even with ear plugs."

"I've stayed in one in Ottawa after a bad snowstorm, but it doesn't make any sense in Winnipeg. Why would I pay to sleep in a box when it takes me 15 minutes to drive to the airport?"

Edmonton

"I find these pods pricey. The Edmonton Inn, located 2 kilometres from the airport, will offer you a full room with a bathroom for almost the same price as Nest's 24-hour rate."

Appendix I (continued)

Background Information

EXCERPTS FROM FINANCIAL STATEMENTS

SleepNest Inc.
Balance sheet
As at December 31

	DRAFT 2026	Audited 2025
Assets		
Current assets:		
Cash	$ 121,000	$ 167,000
Inventories	25,000	21,250
Prepaid expenses	56,080	4,100
Total current assets	202,080	192,350
Property, plant, and equipment – net	1,818,000	2,014,250
Total assets	$ 2,020,080	$ 2,206,600
Liabilities		
Current liabilities:		
Accounts payable	$ 38,700	$ 33,050
Accrued liabilities	6,050	7,560
Current portion – long-term debt	75,000	75,000
Total current liabilities	119,750	115,610
Long-term debt	879,250	928,700
Total liabilities	999,000	1,044,310
Shareholders' equity		
Common shares	700,000	700,000
Retained earnings	321,080	462,290
Total shareholders' equity	1,038,080	1,162,290
Total liabilities and shareholders' equity	$ 2,020,080	$ 2,206,600

Appendix I (continued)
Background Information

EXCERPTS FROM FINANCIAL STATEMENTS

SleepNest Inc.
Income statement
For the years ended December 31

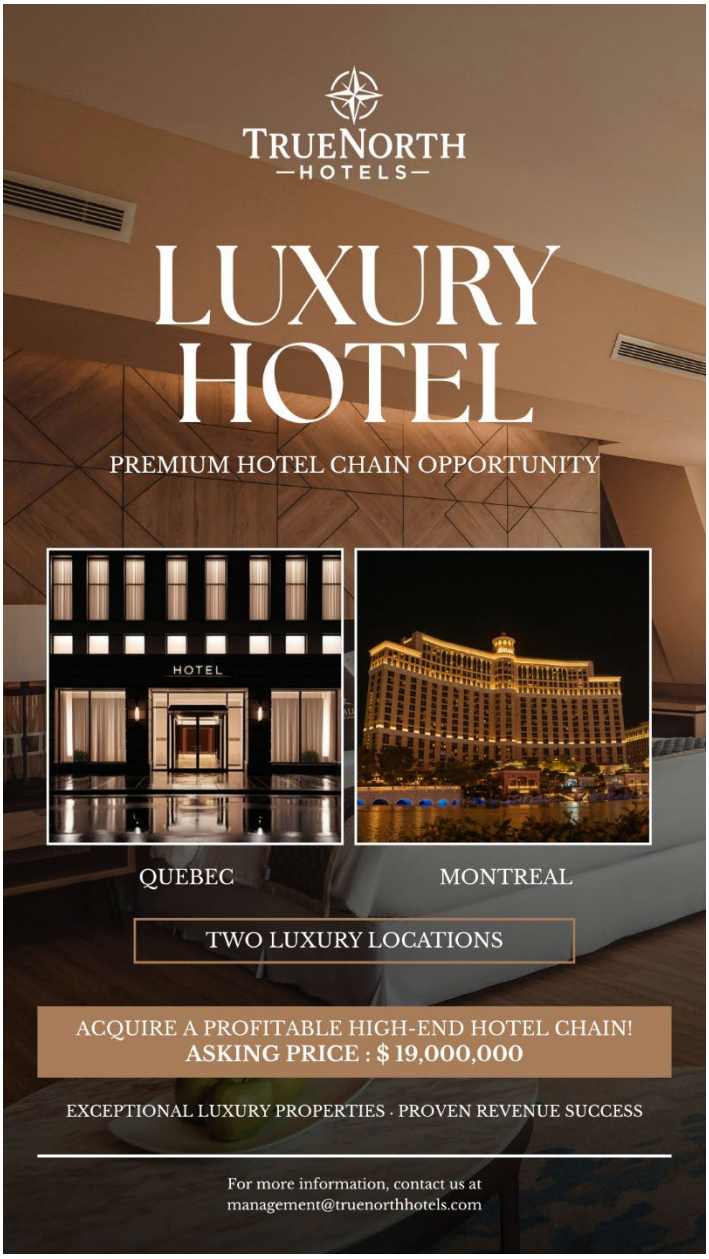
	DRAFT 2026	Audited 2025
Revenues (note 1)	$ 9,064,790	$ 8,850,475
Expenses:		
Salaries	1,233,075	1,972,560
Rent	4,475,000	4,204,250
Commissions	752,620	1,378,475
Utilities	572,675	504,250
Cleaning fees	1,402,940	-
Insurance	185,000	162,500
Marketing	348,250	284,825
Depreciation	196,250	191,450
Interest	39,190	7,475
Total expenses	9,205,000	8,705,785
Income (loss) before taxes	(140,210)	144,690
Income taxes	-	37,620
Net income (loss)	$ (140,210)	$ 107,070

Note 1

Revenues include the pod operations and other miscellaneous revenue associated with sponsorships.

Appendix II
Information about the Potential Acquisition of TrueNorth

Andrew learned TrueNorth was up for sale when he found this ad online:



TrueNorth operates two hotels in Canada, one in Québec City and one in Montréal. TrueNorth's hotels have an average of 75 rooms per location. Its customer base is very loyal and seeks a comfortable stay in downtown areas. It used to have a location in Halifax, but the building was sold to a competitor on January 1, 2026. The two shareholders of TrueNorth are looking to retire, so the timing of the offer for the Halifax building made it hard to decline.

Appendix II (continued)
Information about the Potential Acquisition of TrueNorth

Andrew thinks that if Nest acquires TrueNorth, it would provide easy access to a new segment of the hospitality industry, since Nest currently does not have locations in urban areas. Andrew's plan would be to convert a section of each hotel into a pod hotel.

The first two floors of the Québec City location currently hold 20 regular rooms that would be converted into pods. Jasmine determined it could hold 58 pods. For the Montréal location, a section of the lobby and the first floor, which currently holds 25 regular rooms, would be converted into 67 pods. The conversion would increase the room availability by 2 to 3 times.

Since TrueNorth has high brand recognition in the market and high occupancy rates, Nest would continue to operate the two locations under that brand. The acquisition would allow Nest to diversify its operations and get a foothold in the hotel industry.

Nest would keep all TrueNorth's employees, including its highly experienced housekeeping team. Only the two shareholders would need to be replaced when they retire, since they are actively involved in the operations.

Appendix II (continued)
Information about the Potential Acquisition of TrueNorth

TrueNorth Hotels Inc.
Income Statement
For the year ended December 31, 2026

	2026 Unaudited
Revenue	
Room rental	$ 9,250,000
Food and beverages	3,400,000
Other (note 1)	750,000
Total revenue	13,400,000
Expenses	
Food and beverages costs	1,908,000
Salaries and wages (note 2)	2,075,000
Utilities	1,241,000
Maintenance and repairs (note 3)	1,364,000
Marketing	628,000
Selling, general and administration	972,000
Depreciation	1,124,000
Property taxes and insurance	875,000
Total expenses	10,187,000
Operating income	3,213,000
Interest expense	(612,000)
Gain on disposal of assets (note 4)	3,524,000
Income before taxes	6,125,000
Income taxes	2,212,000
Net income	$ 3,913,000

Appendix II (continued)
Information about the Potential Acquisition of TrueNorth

Notes:

Note 1
Other revenue includes parking fees and conference room rentals. It also includes a $250,000 insurance claim payment TrueNorth received after the basement of the Montréal location flooded in the summer of 2026.

Note 2
Salaries and wages are for all TrueNorth's employees. The two shareholders work full time as general manager of each location and are paid in dividends, for a combined total of $500,000 per year.

Note 3
Maintenance and repairs include a $125,000 cost for a roof replacement at the Québec City location.

Note 4
On January 1, 2026, TrueNorth accepted an offer from a competitor to buy the Halifax building, which generated a gain on disposal of assets of $3,524,000.

Other Information

Andrew and Jasmine met with the TrueNorth shareholders to discuss the potential acquisition. They confirmed they were not open to selling TrueNorth's assets because they want to use the lifetime capital gains exemption by selling their shares. Jasmine asked for more information regarding the recent sale of the Halifax location. The shareholders indicated they had hired an independent real estate valuator to appraise the building. Based on the appraisal, both parties agreed to a $5,000,000 selling price, which was $150,000 lower than the fair value estimated by the valuator. The buyer did not pursue the hotel operations and is currently converting the building into condos, which they will put on the market once the conversion is completed. The real estate valuator also appraised the fair value of TrueNorth's two other buildings. Their combined value was assessed at $14 million.

Andrew performed a business valuation based on TrueNorth's 2026 financial statements using an artificial intelligence (AI) tool. Based on the output summarized below, Andrew thinks this acquisition is a great opportunity for Nest, since TrueNorth's estimated value is between $24 and $28 million and TrueNorth's shareholders are asking for $19 million.

Appendix II (continued)
Information about the Potential Acquisition of TrueNorth

Business Valuation Analysis (AI-Generated)

📊 Step 1: Normalize Earnings (Critical)

Your net income includes a non-recurring gain:

- Gain on disposal: $3,524M

👉 Remove it to get sustainable earnings:

Adjusted Net Income

- Reported net income: $3,913M
- Less gain on disposal: (3,524M)
  ☑ Normalized net income = $389K

📈 Step 2: Calculate EBITDA

Add back non-cash and financing items:

- Operating income: $3,213M
- Add back depreciation: +1,124M

👉 EBITDA = $4,337M

(We ignore the gain here since it's below operating income.)

🏨 Step 3: Apply Industry Multiples

Hotel valuations are typically based on:

- EBITDA multiple

◇ EBITDA Multiple Approach

Appendix II (continued)
Information about the Potential Acquisition of TrueNorth

Typical hotel range:

1. 4x – 7x EBITDA (small/private hotel)

👉 Valuation:

1. Low: 4 × 4,337M = $17.3M
2. Mid: 5.5 × 4,337M = $23.9M
3. High: 7 × 4,337M = $30.4M

⚖️ Step 4: Reconcile Value

EBITDA multiple $17M – $30M

👉 Most realistic range (overlap & conservatism):

☑ **$22M – $30M**

🧠 Key Observations

- The **large gain on disposal** inflates net income → must be excluded
- Strong **EBITDA margin (~32%)** → high profitability
- Valuation leans higher if:
  - Prime location (Toronto/Vancouver)
  - Strong occupancy / ADR
- Lower if:
  - Smaller market (e.g., secondary city)
  - Older asset / capex needed

💰 Final Estimated Fair Value

👉 **Base case valuation: ~ $24M – $28M**

Appendix III
Location Options for the US Expansion

Nest is looking into 3 potential airports for the US expansion: New Jersey, Florida, and Washington. Here is some information about the 3 airports.

	New Jersey International Airport	Florida International Airport	Washington International Airport
Distance from Nest's headquarters (in kilometres)	600	2,600	950
Average number of flights per year	400,000	500,000	300,000
Main destinations	United States, Canada, Europe, South America, Asia	United States, Central and South America, Caribbean	Europe, Middle East, Asia, Latin America, major cities in United States (New York, Los Angeles, Chicago, Miami, Boston)
Capacity	100 pods	35 pods	Flexible (to match demand)

New Jersey International Airport (NJA)

NJA is a major international airport strategically located close to the New York metropolitan area. It has grown significantly over the last few years as an alternative to busier airports in the area.

NJA performs better than the sector with regards to the average number of minutes of wait time and has a reputation for being a reliable airport. Compared with the sector, its operations generate low cancellation rates and delay times. When facing delays, NJA uses advanced planning techniques and strategies, which allows it to recover quickly.

NJA has 3 passenger terminals connected by train to allow travellers to move easily between terminals. The busiest terminal is terminal A, followed by B and C. NJA is currently working on increasing services offered in terminal B, so the only space available for rent is in terminal B. Terminal B handles most domestic flights, whereas terminal A handles international flights and terminal C is mostly for connecting flights and small aircraft.

Appendix III (continued)
Location Options for the US Expansion

Florida International Airport (FIA)

FIA is one of the busiest international airports in the US. Compared to the industry sector, FIA has poor performance in wait times, flight cancellations, and delays. Due to FIA's location near the Atlantic Ocean, weather is a primary driver for flight disruptions, especially during hurricane season from June to November each year.

It is common to see families among the travellers, since FIA is the nearest airport to the biggest complex of theme parks in the US.

FIA has four terminals. Once past security, passengers can use a train to travel from one terminal to the other. Before security, passengers must walk from one terminal to the other, which takes anywhere between 5 and 30 minutes. FIA is a well-developed airport, so space availability is limited, but it could rent out a location in terminal 4, which exclusively handles domestic flights.

Washington International Airport (WIA)

WIA is a mid-sized airport in the greater Washington, D.C. area. The airport is among the top 25 busiest airports in the US. A good proportion of travellers at WIA are business travellers.

In comparison to the industry sector, WIA has good performance in wait times, flight cancellations, and delays.

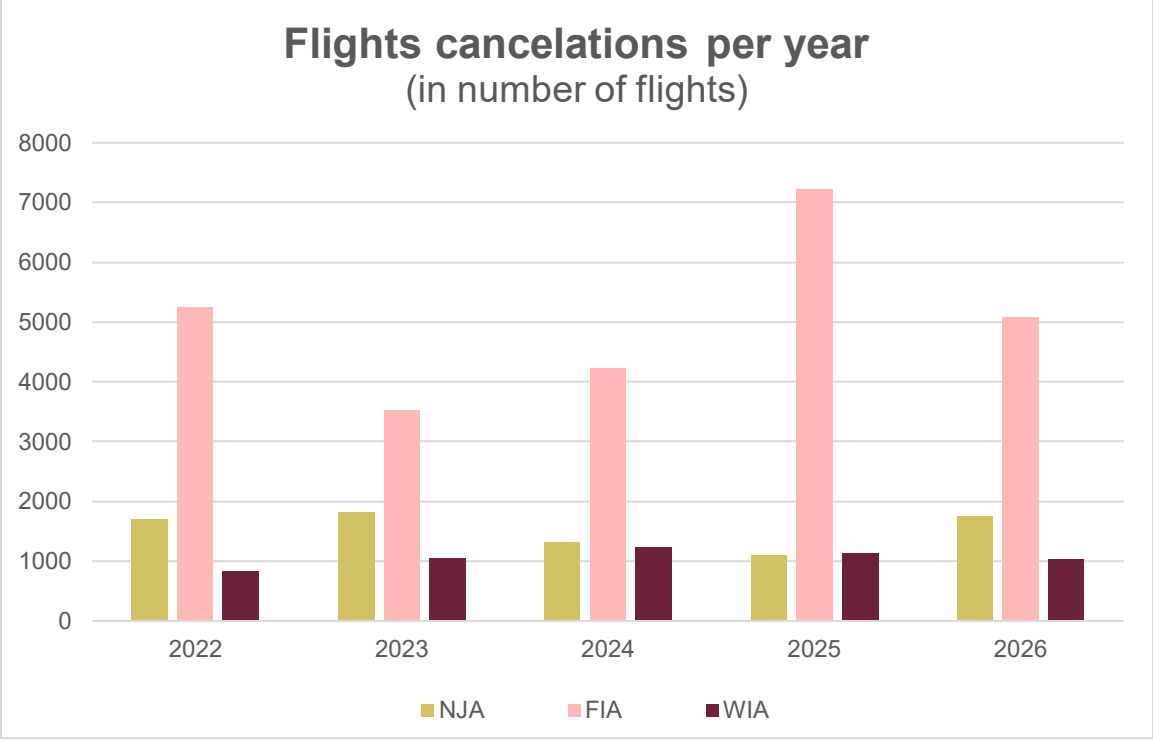
WIA is used by many air transporters as a connection for their international destinations, which creates regular layovers for travellers, often resulting in overnight stays. For that reason, a lot of hotels surround the airport, and they have high occupancy rates.

WIA has only one terminal, which makes it easy for travellers to find their way around the airport. All airport amenities are within walking distance. WIA is currently trying to increase the accommodation offerings around the airport, so its management contacted Nest to see if the company was interested in integrating its pods. WIA management confirmed there is space available to match the demand for the pods.

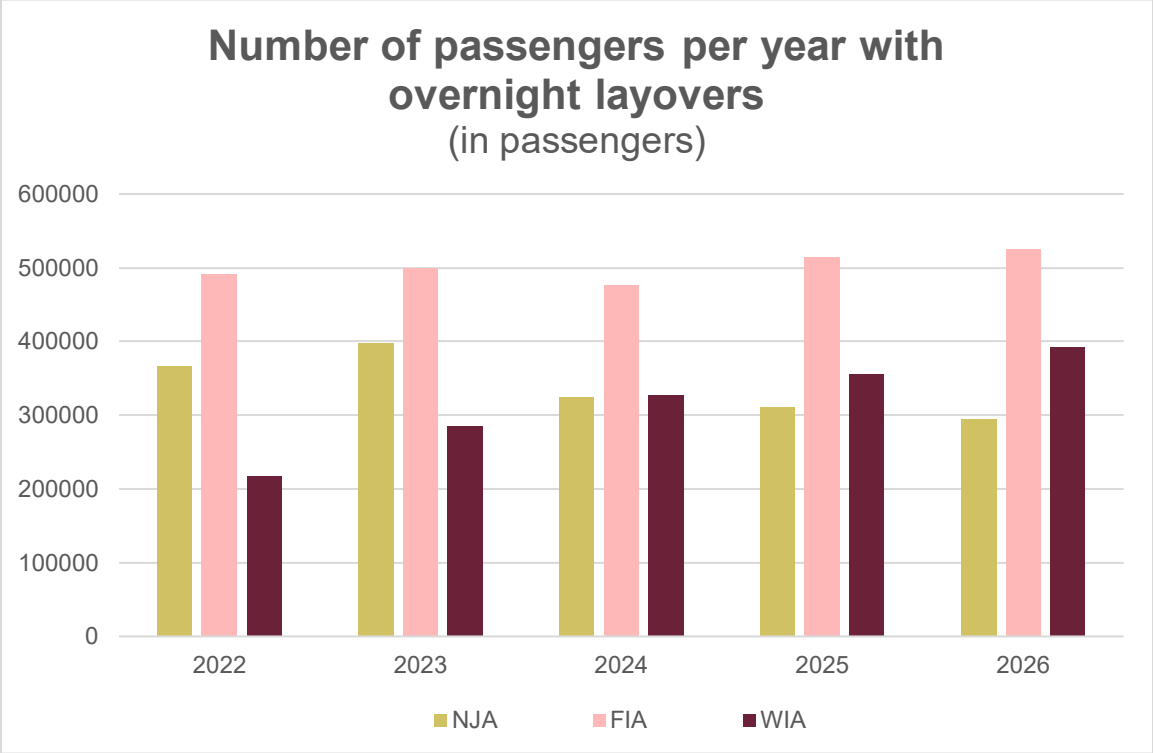
Data on the Airports

After meeting with management of the 3 potential airports, Andrew gathered the following data:

Appendix III (continued)
Location Options for the US Expansion



Appendix III (continued)
Location Options for the US Expansion



Appendix IV
Andrew's summary of the new reservation system

In July 2026, we finally launched our new reservation system, a transactional website and app, which became our exclusive tool to manage reservations.

I had the idea to develop the new reservation system when I met with my friend Joseph, my former partner in the microbrewery. I explained how much we pay in commissions, and he offered to help me develop our own reservation system. I said yes right away! Joseph worked with Caroline, our IT technician at Nest, who has a degree in computer science.

The reservation system allows customers to search for available pods, view prices, make or modify reservations, and make payments.

Our clients can download the app or go on our transactional website to access the reservation system. They first need to create an account using their email address and a password. Once they click on the link in the verification email we send, their account is active. Then they need to provide their personal information and fill out their credit card information in a section that is linked with our payment service provider. Once the credit card is validated, the account is automatically activated and the client can make reservations. It was very important for us that the activation is done quickly, as many clients discover our pods on the spot and want to make reservations right away. We also made sure the client password requirements were simple (8 alphanumeric characters) and don't expire so it saves time when booking.

All our customer information is stored on our reservation system and encrypted. The credit card information is also stored by our payment provider, since they need it to charge payments. Each employee has their own password-protected user account to log into the system, and all the user accounts have access to all the customer data. I'm excited to have all this data so I can go back in time, even years from now, to analyze trends. Here is an extract of some data from August 2 to help you understand how the payments work:

Appendix IV (continued)
Andrew's summary of the new reservation system

System Name: SleepNest Inc. — Reservation System (Live Data Extract)

Generated: 2027-01-03 **Environment:** Production

Transactions

Date	Amount	Payment Type	DOB	Phone	Email
2026-08-02	120.00	CREDIT_CARD	1962-05-15	416-555-2424	roger.tremblay@gmail.com
2026-08-02	65.00	CREDIT_CARD	1976-10-21	646-555-2389	b.margo@outlook.com
2026-08-02	35.00	CREDIT_CARD	2008-01-13	416-555-1245	alya_miskova@yahoo.ca
2026-08-02	65.00	CREDIT_CARD	1981-09-12	604-555-5874	dj.jason@gmail.com
2026-08-02	120.00	CREDIT_CARD	2001-06-18	416-555-8853	ibra_kazak@outlook.com

Billing Details

Customer	Address
Roger Tremblay	12 chemin du Golf, Quebec (QC), G1K 2B2
Margo Belucci	175 75th Street, New York (USA), 98102
Alya Miskova	8 Yonge Street, Toronto (ON), B2K 1K8
Jason St-Cyr	235 Bay Avenue, Vancouver (BC), V1K 6B2
Ibrahim Kazak	432 Lesley Street, Toronto (ON), B2L 1L2

Payment Data

Customer	Card Number	Expiry	Auth Code	Processor
Roger Tremblay	1124 2565 5255 6565	2027-07	AX52K9	ONLINE_PAYMENT
Margo Belucci	1124 6852 5887 6258	2027-06	BK98L2	ONLINE_PAYMENT
Alya Miskova	1945 5986 2155 5666	2028-04	CN19P4	ONLINE_PAYMENT
Jason St-Cyr	1525 3865 5685 3438	2029-02	DP77Q1	ONLINE_PAYMENT
Ibrahim Kazak	1987 9924 6585 1125	2028-04	EF4928	ONLINE_PAYMENT

System Notes

- **Data source:** sleepnest_pod.reservations
- **Records displayed:** 5 / 5
- **Encryption:** Disabled
- **Records displayed:** 5 / 5
- **Last sync:** 2027-01-03 09:58:14

Design Flaw

Shortly after the launch of our reservation system, we were made aware of a flaw in our process for clients accessing their accounts which allowed their information to be stolen.

We acted very quickly and hired a cybersecurity specialist, who was able to fix the problem by introducing a two-factor authentication process, which we think solved the issue. Now, before they can access their accounts, clients need to log in using their primary identification (email address and password). After the password verification, our system requires clients to either enter a one-time code sent via SMS or to authenticate via a phone call, using the phone number they provided upon creating the account.

To be fully transparent, we sent a communication in October 2026 to clients who were identified as being at a high risk of having their personal data stolen.

Appendix IV (continued)
Andrew's summary of the new reservation system

We offered them 10 free pod reservations as compensation for this unfortunate incident. In December 2026, we received a formal notice from a group of 45 clients who considered our offer insufficient for the stress and damage this situation created. Instead of the 10 free reservations we offered them, they are asking for $1,500 each in damages.

After receiving this formal notice, we involved a lawyer to help us manage the situation. We all agreed that we did not want this situation to go public and risk damaging our reputation. We are still finalizing the details, but our lawyer believes we will need to pay the requested $1,500 per client in exchange for a non-disclosure agreement.

Freelance Cleaners

When we started developing the new reservation system, I had the idea to take advantage of the new technology to fix one of our main logistic issues: the delay between the time a pod is vacated and when it is cleaned.

My idea was to hire freelance cleaners and allow them to take cleaning jobs through the newly developed app. In December 2025, we terminated the employment of all 75 of our cleaning employees and contracted them as freelance cleaners, which also got rid of all the extra work related to payroll withholdings.

Freelance cleaners have access to our app on their personal cellphones and are associated with a specific geographic area. When a pod is vacated in their area, they receive a notification and can take the job if they are available. Cleaners then have two hours to clean the pod after accepting the job.

Freelance cleaners earn $8 per pod cleaned. We did not change our cleaning process and have a checklist for them to go through. We continue to provide freelance cleaners with a kit containing all the cleaning products they need and replacement bedding.

At the end of each week, the app provides cleaners with a summary of the jobs they took and the total amount earned. We ask them to send us an invoice with the total amount, including a print screen of the summary from the app, and then we send them an electronic transfer for the total amount.

Appendix V
Pricing Strategy

Current Pricing Model

Nest currently uses a rate per timeslot approach for pricing:

Duration	Rate
6 hours	$35
12 hours	$65
24 hours	$120

Given that each pod needs to be cleaned after use, Nest requires a minimum stay of 6 hours. The price structure is the same at all locations.

Demand-Based Pricing

Demand-based pricing would allow Nest to manage pod prices based on the drivers that affect market demand. If Nest implemented this method, it would set up a base rate per pod that would then be adjusted using driver factors that affect demand. If a driver increases demand, the formula uses a multiplier that increases the rate (e.g., 1.10). If a driver decreases demand, the formula uses a multiplier that decreases the rate (e.g., 0.85). To avoid extreme adjustments, it is necessary to set price boundaries to cap the maximum and minimum rates.

Jasmine had a conversation with Caroline, who confirmed it would be possible to integrate demand-based pricing into the new reservation system, although it would require significant programming. The formula would be integrated into the reservation system, which would calculate the price and update automatically when there is a modification to the demand drivers.

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SleepNest Inc. (Nest)
Illustrative Response

This illustrative response does not represent a sample response completed under exam conditions but rather illustrates the main points relevant to a complete response.

To: Andrew Blackburn, CEO, and Jasmine Giroux, Vice President Operations
From: CPA
Re: Growth, operations, and other issues

Nest is facing a series of opportunities for growth and needs to make some decisions on next steps. However, before assessing the validity of the potential options available, Andrew and Jasmine need to first gain an understanding of Nest's current state.

Current State

Root causes of successful and poor performance

If we look into the data provided on the occupancy rates of the current locations, we can quickly see that Montréal, Vancouver, Halifax, Ottawa, and Québec City are the locations that perform the best, with the occupancy rates ranging from 61% to 73%. Calgary, Toronto, and Victoria have average performance, with their occupancy rates ranging from 44% to 52%. Edmonton and Winnipeg are the two locations with the worst performance, ranging from 12% to 23%. When selecting a new location, it is important to identify the factors that can explain the better performance of the current locations and consider them in selecting the best location for the expansion. We also want to identify the reasons why some locations have poor performance to avoid repeating the same mistakes.

The feedback from Nest's clients is helpful to understand why some locations are performing better and why other locations are performing poorly. Although we don't have feedback for all the locations, we have information in all categories of high-, average-, and poor-performing locations that we can use to help select the best location for the US expansion.

A lot of information is available in the reviews provided by Jasmine. Some aspects mentioned in the reviews are not relevant for selecting a location. For example, the fact that the pods are comfortable or make clients feel safe won't be affected by the choice of location, since the same product will be offered in the new location. The analysis should focus on elements that are directly affected by the choice of location.

Feedback in high-performing locations

Location	Factors
Montréal	• Quietness of the area (+) • Low price versus market (+) • Proximity to departures at the airport (+)
Vancouver	• Low price versus market (+)

Overall, the factors that seem to drive the performance of these locations are the low level of noise of the area in which the pods are located; proximity to security and departures, which seems to be important to clients; and their low price compared to the local market, which is consistent with the fact that Nest's international-traveller segment of clientele is very price sensitive.

Feedback in average-performing locations

Location	Factor
Toronto	• Distance to departures at the airport (-) • Distance to security at the airport (-) • Low price versus market (+)

We do not have a lot of information about the average-performing locations. However, from the information available, the physical locations of the pods (too far from departures and security) is an important factor.

Feedback in poor-performing locations

Location	Factors
Edmonton	• High price versus market (-)
Winnipeg	• Proximity to security at the airport (+) • Noise in the area (-) • High price versus market (-)

Overall, the factors that seem to drive the poor performance of these two locations are the level of noise in the area, and the high price compared to the local market.

Current pricing model

Currently, Nest uses a rate-per-timeslot approach as a pricing model. Fixed prices are associated with a specific duration of stay, ranging from $35 for a 6-hour rental to $120 for a 24-hour rental. This price structure is used consistently in all the locations. Below are the main issues associated with the current pricing model.

Demand

The main issue with the current pricing model is that it does not take into consideration demand fluctuations. By ignoring demand, Nest is most likely missing opportunities to maximize revenue. In the current operating environment (i.e., airports), demand can be variable and unpredictable. There are particular days of the week and months of the year, when demand is higher and travellers are likely willing to pay more to access the pods. Therefore, the prices could be increased to maximize revenue. When demand is low, being unable to adjust the rates to stimulate demand prevents Nest from increasing demand, instead of having empty pods. The inability to change pricing negatively affects the occupancy rates of the pods in all locations.

Without considering demand in the pricing model, all time periods during the day are treated as equal, when the value of a pod rental from a client perspective depends significantly on the context. This leads to Nest not being able to maximize revenues during high demand periods and avoid low occupancy rates during low demand periods.

Market conditions

Another issue with the current pricing model is that it does not take into consideration the market conditions, since the pricing structure is applied consistently in all locations. Airports can vary significantly in terms of passenger volume, travellers' demographics, availability of accommodations, etc. For example, a large airport such as Toronto can have a large proportion of business travellers, and as we know, they are not price sensitive. They are looking for convenience, so they are likely willing to pay more to rent a pod. Using the same price structure in all locations could mean there is underpricing in high-demand locations.

On the other hand, clients at other locations, such as small airports with low passenger volumes, might perceive the current rates as too high. For example, in a review for the Edmonton location, one individual said, "I find these pods pricey. The Edmonton Inn, located 2 kilometres from the airport, will offer you a full room with a bathroom for almost the same price as Nest's 24-hour rate." This shows that accommodation prices might be lower in that specific market, so if Nest wants to stimulate demand for the pods, it should adjust the pricing structure to consider the local market. Why would a client pay that rate for a pod rental if they can get a full hotel room close by?

Operating costs

The current pricing structure also does not take into consideration the operating costs of each location. Although the cost of each pod is the same ($6,500) and each

cleaner is paid the same price per pod ($8), rent is one of the most important operating costs, and it might differ from one airport to the other.

Airport	Rent ($)	Number of pods	Rent per pod ($)
Toronto	1,275,000	85	15,000
Montreal	702,000	60	11,700
Vancouver	808,000	50	16,160
Calgary	360,000	40	9,000
Halifax	402,000	30	13,400
Ottawa	289,000	30	9,633
Québec city	213,000	25	8,520
Edmonton	281,000	20	14,050
Victoria	44,000	10	8,800 (note 1)
Winnipeg	71,000	10	7,745 (note 2)

Note 1: Rent of $44,000 from July 1 to December 31, so yearly rent estimated at $88,000.

Note 2: Rent of $71,000 from February 1 to December 31, so yearly rent estimated at $77,745.

Therefore, due to not adjusting the price structure to take into consideration the operating costs specific to each location, the price charged in some locations might not be enough to keep reasonable profit margins.

Price structure

The current price structure is also ineffective. If we calculate it on an hourly basis, a 6-hour stay costs $5.83/hour, a 12-hour stay $5.41/hour, and a 24-hour stay $5.00/hour. Although there is a decrease in price with a longer stay, the difference is not significant enough to encourage clients to stay for a longer period. For example, if a client needs a pod for 8 hours, they most likely will book for 6 hours, because there is a significant jump for the next price that is based on 12 hours.

The price structure is very rigid. Clients' needs might be very different, and the timeslots you offer might not match their needs. This could push some customers to find alternative solutions. Flexibility in the number of hours a client can rent a pod should be considered. The current minimum stay of 6 hours could be retained, but consider having a progressive pricing structure that decreases the hourly rate as the number of hours of the stay increases.

Each pod needs to be cleaned every time it is vacated by a guest. The $8 cleaning fee per pod is not affected by the number of hours a guest stays in the pod. If the price

structure could change to encourage clients to stay for a higher number of hours, it may help. Once a pod is vacated; it is not available to be rented again until it is cleaned.

Demand-Based Pricing

Demand-based pricing would represent a good alternative for Nest, since it would allow Nest to adapt to market conditions, maximize revenue, and improve occupancy rates. As stated earlier, the demand for accommodations around an airport can be variable. It is possible to predict some regular peaks in demand, such as for overnight layovers. However, there are also many unpredictable peaks in demand, such as for flight disruptions, cancellations, or weather. With demand-based pricing, Nest could increase prices during periods when pods are in demand. In these situations, clients are generally less price sensitive, which would allow Nest to charge more without affecting the level of demand.

Demand-based pricing also helps during low-demand periods. Instead of having empty pods, Nest could lower the prices to try and stimulate demand from more price-sensitive clients. This would increase the occupancy rates.

Demand-based pricing would also better reflect the price a client is willing to pay for a pod. The value a client gives to a pod rental is highly influenced by context. For example, if a traveller has a cancelled flight due to weather and they have to stay at the airport for a long time, they will most likely be willing to pay a higher price to access accommodations. On the other hand, if a traveller is flexible and does not have an urgent need for accommodations, they will most likely not be willing to pay a high price for a pod. The current price structure treats all clients the same. Demand-based pricing would allow Nest to capture the peaks in demand and maximize revenue.

Overall, given the environment in which the company operates and the variability of demand, Nest could implement demand-based pricing to maximize revenue and improve occupancy rates for the pods. This would also allow Nest to be more adaptive to the local market conditions for each airport. Since Caroline confirmed that it would be feasible to implement demand-based pricing in the new reservation system, such a change could be made quickly.

Drivers for demand

If demand-based pricing is implemented in the reservation system, a formula for pricing could be programmed. A base price should be set for each location and adjusted based on demand drivers, making sure price boundaries are set up to avoid extreme adjustment. These price boundaries could be different for each location.

For example, the lower boundary in Edmonton will most likely be lower than the one in Toronto, since the market conditions for the two locations are very different and the cost of rent is also different. Here are the main drivers to consider if implementing a demand-based approach:

Day of the week

Since Fridays and Sundays are the busiest days for travellers, with the highest occupancy rates for Nest, there should be a positive multiplier on those days. Thursdays, Saturdays, and Mondays are average for occupancy rates, so it would be logical not to adjust the price on those days. Since Tuesdays and Wednesdays are the quietest days, there should be a negative multiplier on those days, to stimulate demand.

Seasonality

The peaks in occupancy rates at Nest follow the same pattern as the volume of travellers in airports. A positive multiplier could be used during the peak months and a negative multiplier could be applied to lower the price and stimulate demand in quieter months.

Flight disruptions

This might be hard for Nest to monitor, but when there are known flight disruptions (e.g., due to weather or a strike), it is likely demand for the pods will peak. Therefore, a positive multiplier could be used to maximize revenue. Given the number of flights and all the potential combinations, it might be hard to keep track of events that could generate flight disruptions. It would be a valid approach to only adjust the price when there is a special event that creates a lot of demand (e.g., a significant weather event that causes many flight cancellations in a specific airports). Other events that are common should be covered by the occupancy-levels driver (see below).

Occupancy levels

Occupancy levels for each location would be a good driver for demand. Nest should monitor in real time the occupancy levels of each location and set up boundaries for price adjustments. For example, when occupancy levels are lower than 50%, Nest could use a negative multiplier to stimulate demand. Between 50% and 60%, do not perform any adjustments, since the occupancy levels would be average. Over 60%, Nest could adjust prices using a positive multiplier, given the higher demand for the pods.

Book ahead of time

Another driver that could be used for demand is booking ahead of time. To stimulate bookings and occupancy rates, use a negative multiplier when a client books a pod, for example, 7 days prior to their stay. That would help stimulate reservations and revenue, since travellers planning their trips are likely more price sensitive than passengers stuck at an airport because they missed their connection.

Growth Opportunities

Nest has several opportunities available for growth, either through acquisition or expansion (or both). The analysis of the options follow.

Acquisition of TrueNorth

Business valuation

Andrew and Jasmine, through Nest, are currently looking into buying TrueNorth shares for a total consideration of $19 million. In a recent appraisal of the 2 buildings made by an independent real estate valuator, the fair value of both buildings was assessed at $14 million. Last year, TrueNorth sold its Halifax building for $5 million, which was $150,000 lower than the estimated fair market value, but still very close. Since Nest would be acquiring the whole business and not just the buildings (as was the case for the Halifax building), it is important to perform a business valuation. Nest would be acquiring the TrueNorth brand, clientele, and goodwill, which explains why the purchase price is more than the fair market value of the buildings.

Andrew performed a business valuation from the 2026 financial statements using an artificial intelligence (AI) tool. The tool estimated the value of TrueNorth to be between $24 and $28 million. Before moving forward with the acquisition, it would be important to obtain at least 2 years of comparative figures for TrueNorth's financial statements, which could provide additional information or suggest other normalization adjustments that need to be performed. Also, we need to take into consideration that TrueNorth's financial statements are unaudited, so there is no assurance regarding their reliability.

The approach taken by the AI tool to perform the business valuation is appropriate. However, some significant normalization adjustments were not taken into consideration. I have recalculated normalized EBITDA, which should be used to assess the business value:

Net income		3 913	
Income taxes	2 212		
Interest expense	612		
Depreciation	1 124		
Total EBITDA adjustments	3 948	3 948	
EBITDA		7 861	
Normalization adjustments:			
Gain on disposal of assets	(3 524)		Note 1
Insurance claim revenue	(250)		Note 2
Salary of general managers	(500)		Note 3
Roof replacement	125		Note 4
Total normalization adjustments	(4 149)	(4 149)	
Normalized EBITDA		**3 712**	

Note 1
This normalization adjustment was already performed in the business valuation generated using AI. However, the AI analysis did not perform Step 1 correctly, since it removed the gain on disposal of assets, a pre-tax amount, from net income, an after-tax amount. That said, in Step 2, the AI analysis correctly handled the normalization adjustment since it started with operating income (and gain on disposal of assets would not be included in this figure). Since the gain on the sale of the building is not recurring, it should be removed in the business valuation.

Note 2
Revenue included a $250,000 insurance claim payment after a flood in the Montréal location. This insurance claim is not a recurring revenue but, rather, tied to a unique event (flood). Therefore, it should be removed to normalize EBITDA. In addition, we should ask whether the profitability of the Montreal location was affected by the flood. For example, were some rooms unavailable for a period?

Note 3
The current shareholders of TrueNorth are acting as the 2 general managers of the Québec City and Montréal locations. As they retire, it will be necessary to hire 2 new general managers to replace them. It is important to consider that, as shareholders, they were compensated with dividends, which does not affect net income. Therefore, compensation should be included as an expense and reflect the fair value cost of managers, which would lower EBITDA.

A salary of $250,000 per year ($500,000 / 2 shareholders), representing the dividend payout, may be too high for similar wages for a management position. It is likely they received part of this compensation in their role as shareholders and not just as general managers.

If 2 new general managers are hired, lower compensation representing the market value of such services would be more representative. Market research on the average compensation for a general manager in the hotel industry should be completed, which would allow us to refine this adjustment. For now, however, I have considered the whole amount in the normalization adjustment.

Note 4
The amount of $125,000 must be added back because it relates to a roof replacement for the Québec City location. Since a roof replacement is not a recurring cost (roofs usually have a long useful life), this cost should be added back as a normalization adjustment.

The normalized EBITDA calculated is $3,712,000, which is lower than the $4,337,000 calculated with the AI tool. This is a $625,000 difference. I currently have no reliable

information on the usual EBITDA multiplier to use in the hotel industry for business valuation purposes. It will be very important to get some industry data because the multiplier used has a significant impact on the business valuation. Every time the multiplier is increased by 1, based on my calculations, an additional $625,000 in value is added to TrueNorth's value.

As a comparison, if I use the same multiplier range as used in the AI business valuation, the range would be between $15 million and $26 million ($3,712 x 4; $3,712 x 7; rounded up). This is significantly lower than what was calculated by the AI tool. Given the fact that the fair market value of the 2 buildings was assessed at $14 million, it is likely that a 4 multiplier would not be enough, since the overall value of the business would be very close to the value of its 2 main assets. If we use the average of the range, it would give us a 5.5 multiplier, which would represent a value of $20.5 million value. Therefore, the $19 million asking price seems to be reasonable.

<u>Risks and opportunities of the acquisition</u>

Although the asking price seems to be reasonable based on the business valuation performed above, several risks and opportunities need to be taken into consideration before making the final decision on this acquisition.

Risks

- Nest has no experience in the hotel industry. Although Nest is connected to the hospitality market, the business model is very different than that of a hotel. They might require a significant learning curve to operate TrueNorth efficiently, and there might be unanticipated blind spots.

- The conversion of a section of each location creates an opportunity cost. By removing regular rooms in the hotels and replacing them with pods, some revenue will be lost that would have been generated by the normal operations and that might not get compensated with higher revenues from the hotel pods. We must take into consideration that TrueNorth has high occupancy rates in its current operations.

    - In order for the conversion of a section of each hotel into a pod hotel to be profitable, the revenues associated with the pod hotel should be higher than the opportunity costs of the current operations for the rooms that will be converted.

- The conversion of sections of the 2 hotels into pod hotels might have a negative impact on TrueNorth's current client base. The TrueNorth brand seems to be a luxurious hotel, since the brochure promotes it as an opportunity to "acquire a profitable high-end hotel chain." It has a high brand recognition in the market and high occupancy rates. The clientele associated with the pods might be significantly different, which could negatively affect TrueNorth's brand image and cause some current TrueNorth clients to seek another option.

- There is no guarantee that translating the pod offering from an airport to a hotel in a downtown area will be successful. Nest's current customer base is seeking a comfortable and cheap option for accommodation while travelling. They might be looking for something bigger and more comfortable when they visit cities such as Montréal and Québec City, so the pod hotel approach might not be as successful as the current pod operations in airports.

- The strategic fit between Nest and TrueNorth is not clear. TrueNorth seems to be a high-end hotel chain, whereas Nest is in the affordable accommodations market.

- Nest does not seem to have the liquidity required to pay for this acquisition, and the asking price is a significant amount of money. Although Andrew thinks it would be possible to mortgage the 2 buildings, financing costs might put a lot of pressure on cashflow.

- Historical information on TrueNorth is limited because only the 2026 income statement is available. More information would be required, including multi-year historical financial statements, to assess the financial health of the company. Moreover, it does not appear that TrueNorth was audited, so the information might be unreliable.

- The 2 current shareholders and general managers of each TrueNorth location will retire once the sale is completed. Therefore, they likely won't be available to work and ensure there is a smooth transition. This risk could be mitigated by negotiating with them to stay for a certain period to make sure the transition goes well.

- If Nest acquires TrueNorth's shares, it accepts the entire legal and financial history of the company. This includes undisclosed liabilities such as debts, legal disputes, and tax obligations, which is not the case when assets or net assets are acquired directly. This risk could be mitigated by, for example, including an indemnity clause for tax liabilities in the purchase agreement.

Opportunities

- The acquisition of TrueNorth would allow Nest to diversify its operations and gain access to TrueNorth's current infrastructure, customers, and market presence. If the pod hotel ends up being a good business model, this would allow for rapid expansion, saving time and enabling Nest to benefit from TrueNorth's brand recognition.

- TrueNorth currently has highly experienced housekeeping staff. If Nest were to move forward with the acquisition and conversion, it could use the

housekeeping staff to clean the pods in a timely manner, which could contribute to maximizing the occupancy rates of the pods in the hotels.

- If the conversion plan for the sections of the hotels into pods is successful, that could significantly increase TrueNorth's capacity. Jasmine analyzed the floor plan and said the availability of accommodations would increase significantly.

- There could be some opportunity for cost optimization. Since both Nest and TrueNorth operate in the hospitality industry, there might be some opportunities to save on costs; for example, keeping only one employee to perform the same task for both businesses.

- The acquisition of TrueNorth would allow Nest to acquire high brand recognition, since TrueNorth is an established hotel chain with a very loyal customer base.

- There might also be economies of scale. By combining the operations of both businesses, it may be possible to negotiate better prices with suppliers of, for example, cleaning products or furniture, based on higher volume.

Recommendation

Although TrueNorth seems to be a good opportunity and a preliminary assessment of the asking price concludes that it seems reasonable, I recommend not pursuing this acquisition. Nest is already facing some challenges (see discussion below), and it does not look like Andrew and Jasmine or Nest have the required liquidity to pay the purchase price. Also, there is no guarantee the pod hotel concept would be successful in urban areas. If this acquisition turned out to be a failure, it could damage Nest's financial health or create undue pressure. I recommend that you do not acquire TrueNorth but instead focus on improving the current operations.

Expansion Options in the US Market

Nest is currently looking into 3 potential airports for the US expansion: New Jersey International Airport (NJA), Florida International Airport (FIA), and Washington International Airport (WIA). Andrew provided some data he gathered about each of the airports. First, I will start by analyzing the data provided in the graphs and highlight the key trends I identified that might affect the selection of a location for the US pilot project. Then, given the information provided about Nest's current locations in Canada, I will highlight the key success factors for those locations. Finally, I will analyze the main characteristics of the 3 potential locations to determine which one seems the most promising.

Data about the 3 locations

Estimated number of passengers per year

The trends we can observe in the estimated number of passengers per year suggest that FIA is the airport with the highest volume of passengers. It also shows the most growth over 5 years, with the volume of passengers increasing from approximately 58 million to 63 million passengers. NJA shows more moderate but stable growth in estimated passengers per year, increasing from approximately 49 million to 52 million passengers over the same period. On the other hand, the estimated number of passengers per year at WIA fluctuates between 27 million and 31 million passengers. Therefore, the volume at WIA remains significantly smaller than at the other locations. For Nest, higher passenger volume could be beneficial, since it increases demand and visibility. However, volume is just one factor that needs to be taken into consideration, since not all these passengers need to use a pod while travelling.

Flights cancellations per year

Another important element when selecting a location is flight cancellations. Although flight cancellations are negative in most contexts, they represent an opportunity for Nest to stimulate demand for the pods. When a flight is cancelled, there might be more passengers looking for temporary accommodations. Overall, NJA remains stable with regards to flights cancellations, which supports the fact that it is considered a reliable airport in the market. On the other hand, FIA shows greater volatility in cancellations, and there is a significant spike in 2025, going slightly over 7,000 flights cancelled. There could be reasons for the spike, such as a significant weather event that disrupted operations. Overall, FIA always has the most flights cancellations, which represents an opportunity for more demand. Finally, WIA shows the lowest flight cancellations per year, which is not surprising given that it is a significantly smaller airport. However, the trend in flight cancellations shows very little variation, which does not offer additional opportunities for Nest.

Number of passengers per year with overnight layovers

The number of passengers with overnight layovers is most likely directly correlated to demand. For NJA, we can observe a negative trend with regards to overnight layovers, as it has been declining from 2022 to 2026. On the other hand, FIA has the most overnight layovers, and we can identify a slight increase, with a positive trend, since the number is growing from approximately 490,000 to 520,000 passengers. This suggests the presence of demand for overnight accommodation solutions, which is exactly Nest's primary market needs. The airport with the highest increase in overnight layovers is WIA, rising from approximately 210,000 to 390,000 passengers. This represents a very sharp rise, which could be caused by the way airport operations are managed. With the trend observed, WIA is the airport with the most opportunities.

Based solely on the data, and by combining all 3 sources of data, the 3 airports offer different opportunities. FIA offers the biggest volume and immediate potential, with frequent flights cancellations and a large number of overnight layovers. NJA appears to be a more stable and predictable airport, but there is a decline in overnight layovers, which could lead to lower demand for the pods. WIA is the smallest airport, but it becomes an interesting option if we consider the rapid growth in overnight layovers. This increase is a good opportunity for Nest, since those passengers represent the primary market.

Other factors to consider

Visibility

Andrew mentioned that visibility is a key success factor for Nest. Given the fact that the US expansion would be its first foray into a new market, visibility should also be considered as an important factor to take into consideration when selecting the location.

Of all 3 locations, FIA would allow the most visibility, with the highest number of passengers per year, followed by NJA. WIA has the smallest number of passengers per year, and it is not expected to grow much over the next 5 years. Therefore, it would not provide the most visibility for Nest's entry into the US market.

Demographics

Demographics are also important in the selection of the new location. Currently, in the Canadian market, Nest's main 2 segments of clients are business travellers and international leisure travellers. Although the reality of the US market might be different, a valid approach would be to target a location that has potential clients in these 2 segments.

We currently do not have information about the demographics for NJA. Given that its main destinations are both domestic and international, Nest would likely be able to reach both business and international leisure travellers, but more information would be required.

Given FIA's proximity to the biggest complex of theme parks in the US, a lot of families travel through this airport. However, families are not a target demographic segment for Nest, which makes it a less desirable option. On the other hand, FIA has a combination of domestic and international flights, so Nest could likely reach the 2 segments in this airport.

A good proportion of travellers at WIA are business travellers, which is a good fit with one segment for Nest. Also, the fact that this segment is not price sensitive makes this option favourable, especially if Nest introduces demand-based pricing (see earlier in the current report).

Physical location

The physical location is also an important factor to take into consideration, especially for international travellers. As Jasmine mentioned, international travellers do not want to go far from the airport, so physical location is important for reaching this market.

At NJA, the space available for the pods would be in terminal B, which handles domestic flights. Although terminal B is not the busiest terminal, this location could be a good fit for the business travellers segment. It would also be possible to reach the international travellers segment, since all terminals are connected by a train, which would allow international travellers to reach terminal B easily.

At FIA, the location would be in terminal #4, which handles domestic flights. This location could be a good fit for the business travellers segment. Given the size of the airport, if a passenger does not go through security, they do not have access to a train to easily move from one terminal to the other, which could deter some potential clients from using the pods.

At WIA, there is only one terminal, and the pods would be located with all amenities within walking distance. This would make it an ideal location to catch both segments—business travellers and international leisure travellers.

Distance to headquarters

Although this is not a decisive factor on its own, since Nest currently has some distant locations in the Canadian market, the distance of the new location from Nest's headquarters should be taken into consideration. The closer the new location is to headquarters, the easier it will be for Nest to manage its operations. FIA is located the furthest, while both NJA and WIA are relatively close.

Main destinations

The main destinations offered by each airport could be an important factor to take into consideration when selecting a new location. However, all 3 airports offer a combination of domestic and international flights, so this factor will not affect the selection of a location.

Capacity

Capacity is a critical factor to consider when selecting the new location. Currently, Nest has capacity ranging from 10 pods in the smallest locations (Victoria and Winnipeg) to 85 pods in the biggest location (Toronto). This information allows us to evaluate the capacity of all 3 proposed US locations.

NJA airport has capacity for 100 pods, which is above the number of pods Nest currently has in Toronto, the biggest location. FIA airport has very low capacity, with only 35 pods as a maximum. Given the size of the airport, this represents a significant

capacity constraint. In comparison with the current locations in Canada, Nest has a similar number of pods in Halifax, Ottawa, and Calgary, which are significantly smaller airports than FIA. Finally, WIA has a flexible capacity, which is positive, since it would allow Nest to add pods to match the demand.

Overall analysis

Airport	Main pros	Main cons	Rank
NJA	• Stable passenger growth • Consistent flight cancellations • High visibility • Access to both client segments • Proximity to headquarters • High capacity (100 pods)	• Decline in overnight layovers • Terminal location focused on domestic flights • Moderate growth	2
FIA	• High passenger volume • High visibility • Strong growth in passengers • High number of flight cancellations • Highest number of overnight layovers	• Limited capacity (35 pods) • Volatility in flight cancellations • Accessibility to the terminal could be an issue • Mix of travellers, with more families • Distance to headquarters	3
WIA	• Strong growth in travellers • Presence of business travellers • Single-terminal layout easier for accessibility • Flexible capacity to match demand • Proximity to headquarters	• Low flight cancellations • Low passenger volume • Limited visibility • Slower growth in travellers	1

Recommendation

Overall, FIA would allow the maximum demand and visibility, but a significant capacity constraint makes it the least desirable location. NJA has the best stability and scalability, but its decline in overnight layovers makes it a less interesting option to engage in a new market. Finally, WIA is a smaller market, but the growth in travellers combined with the positive trend in overnight layovers and the presence of business travellers makes it the best option for market positioning. It also does not have any capacity constraint, which makes it a more flexible option. If Nest decides to start the US expansion, we recommend choosing WIA.

Key Performance Measures

Jasmine mentioned that, currently, the performance of Nest's locations is solely assess based on profitability. The development of key performance measures will be important to continue to monitor current operations and any future growth. She asked for help developing other performance measures to monitor the overall performance of the locations. Here are examples of measures for monitoring performance:

Visibility

As Andrew mentioned, visibility is a key success factor for Nest, since it attracts new clients. Visibility can be challenging to measure. Given that you developed a new reservation system that includes a website and an app, you could measure online traffic. The more traffic you get to your website (number of views), the more visibility Nest has.

For physical visibility, you could track the number of travellers per year that use the terminals in which your pods are situated. You could ask the management of each airport to provide you with the yearly number of travellers who used a specific terminal. The highest number of travellers would support better visibility for Nest.

Client satisfaction

Client satisfaction is important, since their overall experience might affect their likelihood of using your pods again or recommending them to friends and family. To measure client satisfaction, you could track the average ratings for each location in the online reviews.

Alternatively, you could also send a customer satisfaction survey after a client's stay and monitor the overall satisfaction reflected in the survey.

Client loyalty

In order to be successful, it is important for Nest to have a returning client base. Since each client needs to create a profile in the new reservation system, you would be able to measure loyalty by monitoring how many clients book a pod more than once. The higher percentage of repeat clients, the better it is for Nest.

Occupancy rates and pods usage

You already have data on Nest occupancy rates. You could track the occupancy rates overall and per location over time. The higher the occupancy rates, the better Nest's performance.

You could also monitor trends in occupancy rates over time. For example, if a location has average occupancy but is growing over time, this means its performance is improving.

Peak versus off-peak occupancy

If you implement my recommendation of demand-based pricing, it would be interesting to monitor peak versus off-peak occupancy rates. The goal should be to maximize occupancy rates in both the peak and off-peak periods. The reservation system would probably allow you to measure the occupancy rates for these periods individually. For example, if a location has low occupancy rates during a peak period, some issues might need to be addressed in that specific location. Maybe some variables are not being taken into consideration in the demand-based pricing formula that need to be adjusted in order to maximize the occupancy rates.

Average booking duration

Given that each pod must be cleaned after being used by a client, maximizing the duration is important, since it increases revenue and decreases cleaning costs. You should monitor the average duration of each pod rental for each location. The higher the number of hours, the better Nest is performing.

Conversion rate

Since Nest now has its own reservation system, you could measure the conversion rates of potential clients who view your pods. This could be measured by looking into the number of bookings for a specific location and dividing that by the number of users who viewed the pods on the reservation system. The higher the conversion rate is, the better each location is performing.

Complaints from clients

You could also monitor the frequency you receive complaints from your clients, in order to identify issues that might negatively impact demand and Nest's reputation. You could calculate the rate of complaints you receive compared with the number of bookings. The lower the rate is, the better your client satisfaction. It would also be important to monitor the reasons for a client complaint in order to identify specific issues with certain locations.

Cleaning delay

Each pod has to be cleaned before it is rented again, so it would be important to monitor the delay between the time a pod is vacated and the time it is cleaned. You could use the data from the reservation system to monitor that. The shorter the delay, the better the location is performing.

Data Governance Issues

In July 2026, Nest launched a new reservation system that was developed internally by Caroline, with the help of Andrew's friend Joseph. Shortly after the launch, a design flaw was identified that allowed for some of clients to be victims of identity theft.

Nest's response, which was to hire a cybersecurity specialist to address this issue in a timely manner, was appropriate to avoid additional personal data to leak. Introducing a two-factor authentication process was a good way to secure the access to clients' accounts. The initiative to contact clients and notify them of this problem in a timely manner was fully transparent. Engaging your lawyer early in the process helped manage this situation.

Overall, the approach taken was appropriate. Steps were taken to make sure the issue was addressed and fixed in a transparent way, and these steps effectively managed the situation.

However, there are significant weaknesses in the approach for data governance and how to handle sensitive client information. When clients create their accounts on the new reservation system, they provide personal data that must be handled with care. To strengthen the data governance policy, Nest should implement a more structured approach to protect sensitive information and reduce the risk of a similar data leak.

Classification of data

First, all the data collected from clients should be classified based on its sensitivity. Categories such as public data, internal data, confidential data, and highly confidential data could be used. Then, controls should be designed and implemented for each category. For example, the data about clients' payment information should be classified highly confidential. Strict access restrictions and controls should be implemented to only permit individuals that need access to perform their duties. In addition, this data should be encrypted.

Protection of the database

Currently, access to the database of the new reservation system is by unique login and is password protected. The fact that the database is protected by a password is good. However, access to the data should be restricted. For example, the accounting clerk probably does not have to use personal data about the clients to perform their duties. As stated earlier, each individual should have their own account in the reservation system for traceability. Then, access to the database is granted only to employees who need the access to perform their duties. Access to data should always follow the least privilege principle; i.e., users of the reservation system should only have access to the information and systems necessary to perform their duties.

Also, in the extract of the database that was shared with me, in the system notes, we can see that the encryption was disabled. It is very important that all data stored in the

database is encrypted both in transit and at rest. Encryption of data reduces the risk of exposing sensitive information if the data base is accessed without authorization. In addition, the reservation system and database should be protected by a firewall, to add additional protection to limit the risk of unauthorized access to sensitive data.

Data minimization

Based on the extract of the database shared with me, a lot of client personal data is collected. It is important to store only the data required for operations. For example, when payments are processed through a third-party payment provider, you do not need to store your clients' credit card information. Similarly, the customers' date of birth is likely not necessary. Generally, if the data is not essential, all client information should not be stored in the database to reduce the volume of sensitive data.

Password requirements

The addition of a multi-factor authentication process for client access to their account is a good improvement. However, passwords do not expire, which increases risk of unauthorized access if passwords are compromised. In addition, the current requirement for passwords is 8 alphanumeric characters. There should be periodic changes programmed for the passwords, for example, every 6 months. Strong password requirements should be implemented; for example, including at least 14 characters with a combination of uppercase letters, lowercase letters, numbers, and symbols. That would help further secure your clients' accounts and limit the risk of unauthorized access to their accounts.

Data retention and deletion

Andrew was excited about being able to access historical information for trends even years later. Personal data about your clients should only be retained for the minimum requirement of time for operations. A retention policy is also required for legal and regulatory purposes. Once data is no longer required, it should be deleted right away. By having formal data retention and deletion policies, the volume of sensitive information you store would be reduced and the risk of unauthorized access to confidential data would decrease.

Overall, sensitive information must be treated with extreme care. You shared with me an extract of your database to help me understand your processes; however, that in itself resulted in Nest sharing highly sensitive information.

Overall Strategy and Decision-Making Process

Nest should improve its overall governance and strategic decision-making process, since it seems the company is pursuing multiple initiatives without a clear strategic direction or sufficient oversight. There seems to be a lack of balance with regards to leadership between Andrew and Jasmine.

Andrew is taking a dominant and overly optimistic approach in the decision-making process, with ideas to help Nest grow. On the other hand, Jasmine has a more cautious approach, identifying the potential risks or problems associated with a specific decision. This can create a conflicting dynamic without constructive discussions, leading to decisions being made without sufficient analysis. A formal decision-making process should be included in a shareholders' agreement to prevent disagreements. The shareholders' agreement could include a decision matrix that would determine which decisions require the approval of both shareholders, as well as a process for resolving any disagreements. Such a structure would ensure strategic decisions are discussed and analyzed and that all perspectives are taken into consideration.

Also, Nest would benefit from establishing a more formal board of directors. Nest's current board of directors is not formal and appears to be there only for regulatory purposes, since it is a corporation. Although Nest is a small corporation, a formal board could provide independent oversight, challenge management in the decision-making process, and guide Nest in its strategic direction. Individuals who have the skills to be on a board (for example, someone who is financially literate) could be invited to join. The board would have to review and approve major strategic decisions, such as the acquisition of TrueNorth, the expansion in the US, and the development of a new reservation system. Adding a governance layer on top of management would reduce the risk that important decisions are made too quickly or without proper evaluation.

It is important to slow down the pace with new projects and develop a formal strategic plan. As stated earlier, Nest is a young company, but several major initiatives were undertaken recently:

- Opened new locations in smaller airports, which generated average to poor occupancy rates.
- Developed a new reservation system internally, which caused a significant data leak that could damage the company's reputation and that generated legal actions against Nest.
- Sent communication to clients about the data leak without having a proper plan on how to address this situation, since communication was sent before the lawyer was consulted.
- Launched the new reservation system without implementing proper internal controls.
- Considered potential acquisition of TrueNorth — a significant decision, given the amounts at stake and the fact that hotel operations is a new industry — and commenced the potential acquisition without having a clear plan on how it would be implemented and financed. Moreover, a significant part of the assessment of this opportunity was based on a report, generated by an AI tool, that clearly had flaws.

- Working on a US expansion, which is a big step for Nest. It involves entering a new market with different operational, regulatory, and market dynamics, which would add complexity and additional risks for Nest's operations.

All of these new projects are taking place while there are signs that the current operations are not stable. For example, the pricing strategy that you have been using is poorly designed and does not take demand and market conditions into consideration at all. This suggests that Nest's business model needs to be refined. In addition, some locations in Canada have operational issues, given the poor occupancy rates. The root causes of the issues are not identified yet, but we have identified some measures to assess the performance of locations as a whole, which can help with the root-cause analysis. Moving too quickly with all of these projects before stabilizing your operations increases significantly the risk that Nest will replicate the same mistakes.

It is important that Nest establish clear mission and vision statements to guide the strategic decision-making process. Defining the mission would help clarify Nest's purpose, while a vision would help define the long-term objectives. When you face a strategic decision, the mission and vision will make sure that the decisions being made are aligned. This alignment and process will help you prioritize new projects and ensure that all new projects are aligned with the overall strategy.

With improved governance, established clear roles, a more formalized decision-making process, and clear mission and vision statements, Nest will be in a position to stabilize its operations and support future growth.

Other Issues

<u>Employees versus self-employed worker</u>

In December 2025, Nest terminated the employment of all its cleaning employees and immediately contracted them as freelance cleaners. The freelance cleaners are paid for each pod they clean and use the newly developed app to take cleaning jobs. The classification of workers between employees and self-employed workers is important, since it has significant tax implications for both Nest and the cleaners.

If the cleaners are considered employees, Nest must deduct income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) from their salary. Nest also must pay the employer's share of CPP and EI. T4 slips must also be prepared and issued to each employee.

If the cleaners are considered self-employed workers, Nest does not have to deduct anything. The cleaners send an invoice, and the full amount is paid to them. Therefore, the responsibility shifts from Nest to the cleaners, who must pay both the employer and employee CPP and EI contributions (if they elect to), as well as instalments for income taxes. If the cleaners earn more than $30,000 per year, they

must also register for GST/HST and add sale taxes to their invoices. Wages paid to employees are not subject to GST/HST.

In the event of a reassessment, if the Canada Revenue Agency (CRA) considers that the cleaners are not self-employed workers but, rather, employees, it is important to know that Nest can be held responsible for not deducting and remitting income tax deductions and both portions of CPP and EI, along with interest and penalties.

The classification of employee versus self-employed worker is based on the substance of the relationship between Nest and its cleaners, not on the status attributed to them. The following factors need to be analyzed to determine the status.

Control

According to the CRA, control is the ability, authority, or right of a payer to exercise control over a worker concerning the manner in which the work is done and what work will be done.

At Nest, the cleaners accept job offers on Nest's app and are given a 2-hour period to do the job. The time constraint suggests that Nest has a certain degree of control over the cleaners. Also, the cleaners are assigned to a specific geographic area and have to follow the established cleaning checklist, which demonstrates additional control over the cleaners. Based on the control factor, the cleaners are likely to be deemed employees.

Tools and equipment

According to the CRA, we must consider if the worker owns and provides tools and equipment to accomplish the work.

Nest provides cleaners with a kit that includes all necessary cleaning products and replacement bedding, which suggests the cleaners do not primarily use their own tools and equipment to perform their work. However, the cleaners use their personal cellphones to access the app and accept the jobs. Overall, since they use Nest's tools and equipment to perform their primary work, this supports classification as employees. The use of their personal cellphones to take cleaning jobs is not significant enough to suggest they are self-employed workers.

Subcontracting work or hiring assistants

According to the CRA, we must consider whether the worker can subcontract work or hire assistants. This factor can help decide a worker's business presence because subcontracting work or hiring assistants can affect their chance of profit and risk of loss.

There is no indication that cleaners can hire subcontractors to perform their work or that they can send someone else. Assuming this is the case, the cleaners would likely be deemed employees.

Financial risk

According to the CRA, we must consider the degree of financial risk taken by the worker and consider if there are any fixed ongoing costs incurred by the worker or any expenses that are not reimbursed.

The cleaners are paid a fixed amount of $8 per pod they clean. The only cost they have that does not seem to be reimbursed is for the usage of their personal cellphones to access the app. Based on the financial risk factor, the cleaners would likely be deemed employees.

Responsibility for investment and management

According to the CRA, we must consider the degree of responsibility for investment and management held by the worker. Is the worker required to make any investment in order to provide the services?

The cleaners do not have any role in management, other than cleaning the pods. Nest is responsible for management, to promote their products, find new clients, decide on prices, etc. The cleaners are not required to make any investment and depend on Nest to get cleaning jobs. We have no information about how the cleaners operate and whether they have other clients. However, based on this factor, the cleaners would not likely be deemed to be operating a business and, thus, are likely to be considered employees.

Opportunity for profit

According to the CRA, we must consider whether the worker can realize a profit or incur a loss, since this would indicate that a worker controls the business aspects of services rendered and that a business relationship likely exists. To have a chance of a profit and a risk of a loss, a worker has to have potential proceeds and expenses, and one could exceed the other.

The cleaners earn a fixed amount of $8 for each pod they clean. They could earn more money by cleaning additional pods, which indicates that there could be an opportunity for profit; however, they cannot increase the cleaning fee per pod. In addition, given the fact that they mainly use Nest's tools and equipment, the cleaners are more likely to be deemed employees.

Overall, the analysis supports a conclusion that the cleaners should be considered employees and not self-employed workers. Also of importance is the fact that the cleaners were previously employees of Nest, were terminated, and then contracted as freelance cleaners. This would be a significant red flag for the CRA and would suggest that they should be considered employees.

It is recommended that all cleaners be reclassified as employees and included in the payroll system as soon as possible, and that retroactive adjustments be made for the past year to change the remuneration to a salary and pay the required deductions.

Financial Reporting Issue

Lawsuit/contingency

After the launch of the new reservation system, Nest was made aware of a design flaw that allowed some confidential data about its clients to leak. In order to be transparent, Nest sent a communication in October 2026 to the clients considered high risk, and Nest offered them a compensation of 10 free reservations for the pods. A formal letter was received from a group of 45 clients asking for compensation of $1,500 each in damages instead of the 10 free reservations. Nest's intentions are to pay the requested amount in exchange for a non-disclosure agreement.

Although nothing was paid by the 2026 year-end, we need to assess whether a contingency loss should be recorded in the 2026 financial statements. ASPE 3290, *Contingencies, paragraphs 8 and 9* provides guidance on that matter:

> *.8 The treatment of contingent losses in financial statements depends upon the likelihood that a future event will confirm that an asset had been impaired or liability incurred as at the financial statement date.*
>
> *.9 If it is likely that a contingency existing at the financial statement date will result in a loss, accrual of its financial effects would be required. This accounting treatment recognizes that the likely impairment of an asset or incurrence of a liability is related to a condition or situation existing at the end of the reporting period and not to the confirming future event.*

Since the data leak happened in 2026 and the formal letter from the group of 45 clients was received by the 2026 year-end, it should be considered an event that occurred in 2026, although the payout would likely be in 2027. Andrew agreed with the lawyer that this situation should not go public, and he's still working on finalizing the details, but the lawyer believes that Nest will have to pay the requested amount. This suggests that the contingency existing at the financial statement date is likely and, therefore, should be accrued in the 2026 year-end.

ASPE 3290 paragraphs 12 and 13 then goes on to describe the amount to record:

> *.12 The amount of a contingent loss shall be accrued in the financial statements by a charge to income when both of the following conditions are met:*
> *(a) it is likely that a future event will confirm that an asset had been impaired or a liability incurred at the date of the financial statements; and*
> *(b) the amount of the loss can be reasonably estimated.*

.13 The estimation of the amount of a contingent loss to be accrued in the financial statements may be based on information that provides a range of the amount of loss.

When a particular amount within such a range appears to be a better estimate than any other, that amount would be accrued. However, when no amount within the range is indicated as a better estimate than any other, the minimum amount in the range would be accrued.

The likely amount is $67,500 (45 x $1,500). However, consideration needs to be given to 2 additional groups of people: 1) those who were notified about the breach but not part of the 45 people in the lawsuit, and 2) those were not notified because they are not considered high risk. I currently do not have enough information on these 2 groups, but it is possible more money needs to be accrued.

A contingency loss of $67,500 (45 x $1,500) should be recorded in the 2026 year-end as a liability, with the equivalent amount as an expense.

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SleepNest Inc. (Nest)

Assessment Mapping

The required in the case represent assessment opportunities for candidates to demonstrate their Decision Competencies (DCs) and Specific Competencies (SCs) within the context of the different topic areas.

The following is a summary of the Decision Competencies assessed on this case.

	AO#1 MDM	AO#2 MDM	AO#3 FIN/ Strat	AO#4 Data/ Strat	AO#5 MDM	AO#6 GOV	AO#7 TAX	AO#8 FR	AO#9 GOV/Strat
DC1									
DC2									
DC3									
DC4									
DC5									
DC6									
DC7									
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DC21									
DC22									
DC23									
DC24									

Nest is a 300-minute case. We estimate candidates will need 90 minutes to read and plan their response. We have provided suggested response times per Assessment Opportunity below. These response times reflect the relative importance and weighting of each Assessment Opportunity and provide guidance on how candidates may prioritize their time.

The Specific Competencies assessed are described below.

Assessment Opportunity #1 *– The candidate assesses the current state of Nest and the root causes for the performance of the current locations (Management Decision-Making and Information (Data) Systems/Technology – 18 minutes).*

LD-VI-3.2 Assess performance issues to uncover root causes. Performance includes responsibility centres and incentive systems, among others. (4)

Assessment Opportunity #2 *– The candidate analyzes the appropriateness of the current pricing model, evaluates the option of demand-based pricing, and identifies demand drivers Nest should use if it implements demand-based pricing (Management Decision-Making and Information (Data) Systems/Technology – 25 minutes).*

FD-VI-3.5 Analyze alternative revenue model options and pricing alternatives considering the entity's strategies and objectives. (3)

Assessment Opportunity #3 *– The candidate prepares the business valuation of TrueNorth to analyze the reasonability of the asking price, assesses the risks and opportunities related to the acquisition of TrueNorth, and provides a recommendation (Finance – 21 minutes, Strategy, Risk Management, and Innovation – 20 minutes).*

FD-IV-3.8 Prepare a valuation estimate of a business using an appropriate method. Analyze the results of applying a reasonable method to determine a valuation estimate. (2)

LD-VIII-3.1 Assess the alignment of specific decisions and strategies with the entity's mission, vision, values, and mandate. (4)

Assessment Opportunity #4 *– The candidate analyzes the 3 expansion options in the US market and provides a recommendation (Big Data and Data Analytics – 25 minutes; Strategy, Risk Management, and Innovation – 20 minutes).*

CC-II-3.4 Assess the accuracy and dependability of results yielded by the analysis. (4)

FD-VIII-3.4 Analyze the impact of the entity's internal and external environment (e.g.: competitive position, value proposition, stage in the entity/product life cycle, customers/target markets, and ownership structure) on informing strategy and in providing insights on existing operations and plans. The identification of these

environmental factors may be determined using an internal/external scanning tool (e.g., SWOT, PESTEL and Porter's Five Forces analysis). 3

FD-VIII-3.5 Analyze the strategic alternatives presented using a set of qualitative and quantitative criteria. Strategies include corporate, business and functional strategies. 3

Assessment Opportunity #5 *– The candidate suggests KPIs to assess the overall performance of locations (Management Decision-Making and Information (Data) Systems/Technology – 20 minutes).*

LD-VI-3.2 Assess the ongoing suitability of an existing performance framework or scorecard in light of changing circumstances. 4

Assessment Opportunity #6 *– The candidate analyzes Nest's response to the cybersecurity issue and suggests improvements to its data governance policy (Ethical Decision-Making and Organizational Governance/Data Governance – 20 minutes).*

FD-III-3.4 Analyze the policies and procedures used for data governance (e.g., who has access to data, who can change it, what are the approval levels, who can share data, how often these permissions are reviewed, and whether AI-generated data is used) and their impact on data security and data quality. 3

Assessment Opportunity #7 *– The candidate explains the tax implications of classifying the cleaners as employees and as self-employed (Tax – 10 minutes).*

CC-IX-1.1 Explain routine tax-planning opportunities and their impact. 2

Assessment Opportunity #8 *– The candidate analyzes the financial reporting treatment of the contingent loss related to the data leak (Financial Reporting – 5 minutes).*

FD-V-1.2 Apply appropriate financial reporting standards for routine transactions, considering varied transaction-specific and/or entity-specific information (e.g., where multiple facts, conditions, or policy choices interact and must be weighed to arrive at the treatment). 2

FD-V-3.1 Analyze routine transactions to determine appropriate measurement, including evaluating alternative measurement options where they exist, and analyze the measurement results with professional skepticism. 3

Assessment Opportunity #9 *– The candidate assesses the overall strategy and decision-making processes at Nest and provides recommendations for improvement (Ethical Decision-*

Making and Organizational Governance/Data Governance – 13 minutes; Strategy, Risk Management, and Innovation – 13 minutes).

LD-III-3.3 Assess the implications of ethical decisions and governance practices on organizational performance and interested-party relationships. 4

LD-VIII-3.2 Assess the effectiveness of control systems and accountability structures (e.g., policies, directives, codes, and guidelines) in aligning resources with strategies. 4