

The assignment will involve writing reports based upon both the Financial Accounting and Management Accounting aspects of the course. The questions/cases posed are designed to encourage you to delve deeper into a topic in the area of accounting and financial management.

You are required to submit an answer for

**Case A:** AG Barr and Britvic **AND**

**Case B** Stratford plc

There is a total word limit of 3500 words (excluding appendices) for the entire assessment. You are advised to spend about 2750 words on case A and 750 words on case B

## **Section A This case must be attempted Case A: AG Barr plc and Britvic plc**

The scenario is intended to be realistic and the date is November 2020. AG Barr and Britvic are major major FTSE 250 soft drink manufacturers in UK.

You have recently joined Britvic plc in a management position. Your CEO regards competitor analysis as very important and consequently the company regularly produces internal reports on the companies regarded as key competitors.

Write a report advising the commercial director on the broad financial strengths and weaknesses of AG Barr plc as a competitor. You should focus on the financial strength and weaknesses of AG Barr with a view to comparing AG Barr with Britvic so that Britvic can identify areas for possible investigation and improvement. Conclude by assessing the strengths and weaknesses of AG Barr as a competitor and the level of competitive threat it poses to Britvic.

**Required:**

**Prepare the requested report to your Britvic Commercial Director to include the following:**

1. a) A review and comparison of the recent financial performance and current position of AG Barr and Britvic plc.
2. b) An analysis of the performance of the companies from the viewpoint of the stock market.
3. c) Recommendations to Britvic on the financial strengths and weaknesses of the company compared to AG Barr .

Note that your client will expect a clear and concise report (approximately 2,750 words excluding appendices).

Some general guidance on an acceptable report style follows:

- • *Use the most recent set of full accounts.*
- • *(AG Barr year ending January 2020 )*
  - <https://www.agbarr.co.uk/media/522006/annual-report-2020-web.pdf>
- • *(Britvic year ending Sept 2019)*
  - <https://www.britvic.com/~media/Files/B/Britvic-v3/documents/pdf/presentation/2019/2019-annual-report.pdf>

- • Give your report a title & provide an Executive Summary,
- • Give a brief introduction to cover the issues to be analysed and the approach you will consider.
- • Remember a clearly structured approach is expected.
- • Within your analysis, don't just show lots of calculations, explain what you infer from the numbers

*and ratios and how they support your conclusions and recommendations.*

- • Define any non-standard ratios used but demote detailed calculations, etc. to an appendix.
- • Cite references, state assumptions made, mention other information that might be useful or further

*investigations you would have liked to conduct. Fully consider both financial and non-financial*

*factors.*

- • Reach a conclusion and give clear advice.
- • Make use of supportive diagrams – especially those that emphasise the comparisons between

*companies.*

- • Make your report “as concise as is consistent with clarity”.

## **Case B This case must be attempted.**

Stratford plc is an electronic game manufacturer. It is December 2020 and the directors are considering whether to proceed into production with a new game they have recently developed. The costs already incurred in developing this game were £400,000.

A market research report costing £50,000 has just been received (and paid for) in Dec 2020 – this report suggests that the game had an expected market life of four years and also provides forecasts of demand.

In order to commence production on the new game a machine costing £850,000 will have to be purchased at the end of December 2020 ready to go into production on 1 January 2021 . This will be depreciated on a straight line basis with an estimated salvage value at the end of production of £130,000. Additional working capital of £70,000 will also be required at the start of the project and throughout the lifetime of the project.

On the basis of the report the following forecast profit and loss accounts relating to the new game have been prepared:

## Forecast profit and loss accounts for the year ended 31 December

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Sales	700	900	800	400
CGS	<u>(140)</u>	<u>(180)</u>	<u>(160)</u>	<u>(80)</u>
Gross profit	560	720	640	320
Variable Overheads	(210)	(270)	(240)	(120)
Fixed Overheads	<u>(290)</u>	<u>(290)</u>	<u>(290)</u>	<u>(290)</u>
Net Profit (Loss)	<u>60</u>	<u>160</u>	<u>110</u>	<u>(90)</u>

The fixed overheads consist of depreciation of £180,000 pa, a reallocation of existing company overheads of £40,000pa , and £70,000 p.a. resulting from the decision to appoint a new production manager to oversee production of the game.

The chairman of Stratford plc called a meeting of the product development team soon after receiving the forecast profit figures. At this meeting he said:

*"I am sorry to say that the forecast profit figures for the new product are very disappointing. Over the four years of the product's life the net profit margin is only a little over 8 per cent. However, the cost of capital to finance the new product is 10 per cent. The projected profit margins are particularly disappointing given that the development costs, market research costs and new equipment costs total £1,300,000. We would be better off stopping the project after 3 years but even then I question its financial viability."*

Before the project is abandoned, it is agreed that you will prepare a brief financial report for consideration at their next Executive Meeting in a week's time.

### Required

Prepare the report for the Executive Team, clearly setting out the financial implications of the project and making a clear recommendation.

*End of Case B*