

# PGBM134 Finance and Project Management

## Assignment Brief

Issue Date: 28/02/2022

Submission Date: 14/06/2022 (23:59 GMT)

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## **Individual assignment**

**Weighting – 100% of the marks for this module**

**This is an individual assignment of 4,000 words (+/- 10%). The word count is for guidance only.**

Students are required to submit their coursework through Turnitin. Only assessments submitted through Turnitin will be marked. Any other submission including submission to your study centre in hard copy will be treated as a non-submission.

### **Requirements:**

Part A of the assessment is compulsory for all students with a marking allocation of 50% awarded within this element.

Part B of the assessment is compulsory for all students with a marking allocation of 50% awarded within this element.

**The assignment has been designed to cover the following learning outcomes associated with successful completion of the module:**

### **Knowledge:**

- K1. Critical understanding of the key strategic decisions that a business may have to make and appreciated how accounting and finance can assist in making and evaluating those decisions.
- K2. Critical understanding of specific analytical skills in key decision areas within strategy and finance relating to Ratios and Investment Projects.
- K3. That they can appreciate the requirements for management control and the application of project control processes.
- K4. A critical understanding of the relationship between, cost and quality in achieving project objectives.

**Skills:**

- S1. Competence in applying the key valuation concepts and methodologies of financial decision making in order to contribute to the wider decision making of the organisation
- S2. Their capability to evaluate projects from a financial, human resource and time related perspective

## **PART A (50%)**

### **Question 1 AA Dent plc (25%)**

The finance manager of AA Dent plc is evaluating two mutually exclusive projects with the following cash flows.

Year	Project X (£)	Project Y (£)
0	(100,000)	(190,000)
1	55,000	60,000
2	55,000	60,000
3	40,000	60,000
4	40,000	110,000
5	30,000	65,000

The company's current return on capital employed is 10 per cent (average investment basis) and the company uses straight-line depreciation over the life of the project i.e. 5 years with a 0 zero residual value. (straight line depreciation means equal monetary amount of depreciation each year).

#### **Required:**

- (a) Advise AA Dent plc which project should be undertaken using:
- (i) the payback method of investment appraisal
  - (ii) the accounting rate of return (ARR) method of investment appraisal:
  - (iii) the net present value method of investment appraisal. **(16%)**
- (b) Critically assess and discuss the problems that arise for the net present value method of investment appraisal when capital is limited, and explain how such problems may be resolved in practice. **(9%)**

### **Question 2 Moore Electronics (25%)**

Moore Electronics manufactures electrical components, which are sold to industrial users. The abbreviated financial statements for each of the last two years are as follows:

**Income Statement for the year ended 31 December**

	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Revenue	1,500	1,560
Cost of sales	<u>(880)</u>	<u>(980)</u>
Gross profit	620	580
Operating expenses	(220)	(248)
Depreciation	<u>(66)</u>	<u>(80)</u>
Operating profit	334	252
Interest	<u>(-)</u>	<u>(23)</u>
Profit before taxation	334	229
Taxation	<u>(86)</u>	<u>(44)</u>
Profit for the year	<u>248</u>	<u>185</u>

**Statements of financial position as at 31 December**

	<b>2020</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant, and equipment	<u>752</u>	<u>734</u>
<b>Current assets</b>		
Inventories	159	276
Trade receivables	116	182
Cash	<u>7</u>	<u>9</u>
	<u>282</u>	<u>467</u>
<b>Total assets</b>	<u>1,034</u>	<u>1,201</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Ordinary Share	510	510
Capital: (£1 shares)	274	335
Retained earnings	<u>784</u>	<u>845</u>
<b>Non-current liabilities</b>		
Borrowings – bank loan	<u>10</u>	<u>80</u>
<b>Current liabilities</b>		
Trade payables	80	98
Other payables and accruals	29	28
Taxation	58	37
Short-term borrowing (all overdraft)	<u>113</u>	<u>143</u>
	<u>280</u>	<u>306</u>
<b>Total equity and liabilities</b>	<u>1,074</u>	<u>1,231</u>

Dividends were paid on ordinary shares of £90,000 and £94,000 in 2019 and 2020, respectively.

**Required:**

Calculate the following financial ratios for both years (using year-end figures for statement of financial position items):

- i. Return on capital employed. **(2%)**
- ii. Operating profit margin. **(2%)**
- iii. Gross profit margin. **(2%)**
- iv. Current ratio. **(2%)**
- v. Acid test ratio. **(2%)**
- vi. Settlement period for trade receivables. **(2%)**
- vii. Settlement period for trade payables. **(2%)**
- viii. Inventories turnover period. **(2%)**

Produce a report for the Board of Directors of Moore Electronics that evaluates the performance of the company across the two years within the areas of profitability, liquidity, and efficiency. You may wish to suggest methods for improving these key indicators and the overall performance of the business. **(9%)**

**PART B (50%)****Question 3 Aluminium Manufacture Corporation (50%)**

The Aluminium Manufacture Corporation designs and manufactures aluminium for the construction sector for years; the company enjoyed a stable marketplace and a relatively predictable business environment. Although there had been a boom in residential construction in recent years, commercial work was on the decline. As a result, all the aluminium manufacturers were going further afield to big jobs. In order to survive, Aluminium Manufacture Corporation was therefore forced to bid on jobs previously thought to be out of their geographical area. Survival depended upon staying competitive. However with the declining conditions of the market and the evolution that had drastically changed the character of the market place, the Aluminium Manufacture Corporation previously successful approach was now in question.

With the removal of trade barriers and other Globalized international trade agreements, the Aluminium Manufacture Corporation found itself competing with other aluminium manufacturers headquartered in countries around the world. A

decision was then made to transfer several manufacturing machines to a new site in Eastern Europe to allow more agility and efficiency within their manufacturing supply.

### **The Project**

The project was to include the transfer of 6 industrial aluminium processing machines, along with ancillary equipment into Central Europe (Hungary). Scheduling the project had to take five months from end of October before production must start on April to supply potential customers. A site had been selected although the appointed Project Manager and potential team members had not visited the area, nor did they understand the weather conditions of wind, rain and snow that prevailed in this area. The processing machines were to be transported by sea and then road haulage before arriving at the new site. Road infrastructure was again an area that required attention.

### **Frank Smith**

Frank Smith has been appointed as the Project manager for this installation transfer. He is a 31-year-old graduate of a well known University in the UK with a first degree in Mechanical Engineering. After graduation, he worked for six years in Engineering Design Industries. Although he took a significant pay cut, he jumped at the opportunity to return to his home location with Aluminium Manufacture Corporation. His job in Engineering Industries had been very demanding. The long hours and extensive travelling had created tension in his marriage. He was looking forward to a normal job with reasonable hours, or so he thought. While working in Engineering Design Industries, Lewis worked on projects and installed new Engineering designs. He was confident that he had the requisite technical expertise to excel at his new job with the Aluminium Manufacture Corporation.

### **The Team**

Frank had a part-time team of four assistants on placement from the departments within Aluminium Manufacture Corporation. At first, he was not sure how freely he could delegate work to the assistants bearing in mind they also reported to other managers within the organisation. He quickly realised that they were all very bright, competent workers who were anxious to leverage this project experience into a lucrative career.

The project transfer has an investment of 1 Million pounds and is scheduled to take 5 months to complete; taking into account, the project would be completed during the winter which would be difficult. Lewis and his team would first need to visit the new location and start to consider the project activities.

**Required:**

You are required to prepare a report concerning the main issues to be addressed by Frank Smith from a project management perspective.

From a **project management perspective base on Project life cycle** outline the activities required to be completed by Frank Smith to successfully implement this new initiative. Note that Frank Smith is only Project Managing the transfer of equipment and not the actual facility building project. Assume the building has already been completed.

Your report should be based on the four stages of Project life cycle and include examples of the concerns, Project Life cycle stages, associated with managing the lifecycle of this major project.

In your Project Report you must at a minimum provide the following:

- i. Project Scope Statement.
- ii. Work Breakdown Structure (with brief details of work packages).
- iii. Network diagram.
- iv. Cost appraisal methods (theory) that could be used to ensure that the project can be delivered on-time and within budget.
- v. Any other relevant table or information as an Appendix.

Note also that any practical examples in relation to relevant theories should be derived from the case study.

## Generic Assessment Criteria – Postgraduate: PGBM134 – Finance and Project Management

		Categories						
	Grade	Relevance	Knowledge	Analysis	Argument and Structure	Critical Evaluation	Presentation	Reference to Literature
Pass	86 – 100%	The work examined is exemplary and provides clear evidence of a complete grasp of the knowledge, understanding and skills appropriate to the Level of the qualification. There is also unequivocal evidence showing that all the learning outcomes and responsibilities relevant to that Level are fully satisfied. At this level it is expected that the work will be exemplary in all the categories cited above. It will demonstrate a particularly compelling evaluation, originality, and elegance of argument, interpretation or discourse.						
	76-85%	The work examined is excellent and demonstrates comprehensive knowledge, understanding and skills appropriate to the Level of the qualification. There is also excellent evidence showing that all the learning outcomes and responsibilities appropriate to that level are fully satisfied. At this level it is expected that the work will be excellent in the majority of the categories cited above or by demonstrating particularly compelling evaluation and elegance of argument, interpretation or discourse and some evidence of originality.						
	70 – 75%	The work examined is of a high standard and there is evidence of comprehensive knowledge, understanding and skills appropriate to the Level of the qualification. There is clearly articulated evidence demonstrating that all the learning outcomes and responsibilities appropriate to that level are satisfied. At this level it is expected that the standard of the work will be high in the majority of the categories cited above or by demonstrating particularly compelling evaluation and elegance of argument, interpretation or discourse.						
	60 – 69%	Directly relevant to the requirements of the assessment	A substantial knowledge of relevant material, showing a clear grasp of themes, questions and issues therein	Comprehensive analysis - clear and orderly presentation	Well supported, focussed argument which is clear and logically structured.	Contains distinctive or independent thinking; and begins to formulate an independent position in relation to theory and/or practice.	Well written, with standard spelling and grammar, in a readable style with acceptable format	Critical appraisal of up-to-date and/or appropriate literature. Recognition of different perspectives. Very good use of a wide range of sophisticated source material.
	50 – 59%	Some attempt to address the requirements of the assessment: may drift away from this in less focused passages	Adequate knowledge of a fair range of relevant material, with intermittent evidence of an appreciation of its significance	Significant analytical treatment which has a clear purpose	Generally coherent and logically structured, using an appropriate mode of argument and/or theoretical mode(s)	May contain some distinctive or independent thinking; may begin to formulate an independent position in relation to theory and/or practice.	Competently written, with only minor lapses from standard grammar, with acceptable format	Uses a good variety of literature which includes recent texts and/or appropriate literature, including a substantive amount beyond library texts. Competent use of source material.
40 – 49%	Some correlation with the requirements of the assessment but there are instances of irrelevance	Basic understanding of the subject but addressing a limited range of material	Some analytical treatment, but may be prone to description, or to narrative, which lacks clear analytical purpose	Some attempt to construct a coherent argument, but may suffer loss of focus and consistency, with issues at stake stated only vaguely, or theoretical mode(s) couched in simplistic terms	Sound work which expresses a coherent position only in broad terms and in uncritical conformity to one or more standard views of the topic	A simple basic style but with significant deficiencies in expression or format that may pose obstacles for the reader	Evidence of use of appropriate literature which goes beyond that referred to by the tutor. Frequently only uses a single source to support a point.	

Fail	35 – 39%	Relevance to the requirements of the assessment may be very intermittent, and may be reduced to its vaguest and least challenging terms	A limited understanding of a narrow range of material	Largely descriptive or narrative, with little evidence of analysis	A basic argument is evident, but mainly supported by assertion and there may be a lack of clarity and coherence	Some evidence of a view starting to be formed but mainly derivative.	Numerous deficiencies in expression and presentation; the writer may achieve clarity (if at all) only by using a simplistic or repetitious style	Barely adequate use of literature. Over reliance on material provided by the tutor.	
	The evidence provided shows that the majority of the learning outcomes and responsibilities appropriate to that Level are satisfied – for compensation consideration.								
	30 – 34%	The work examined provides insufficient evidence of the knowledge, understanding and skills appropriate to the Level of the qualification. The evidence provided shows that some of the learning outcomes and responsibilities appropriate to that Level are satisfied. The work will be weak in some of the indicators.							
	15-29%	The work examined is unacceptable and provides little evidence of the knowledge, understanding and skills appropriate to the Level of the qualification. The evidence shows that few of the learning outcomes and responsibilities appropriate to that Level are satisfied. The work will be weak in several of the indicators.							
0-14%	The work examined is unacceptable and provides almost no evidence of the knowledge, understanding and skills appropriate to the Level of the qualification. The evidence fails to show that any of the learning outcomes and responsibilities appropriate to that Level are satisfied. The work will be weak in the majority or all of the indicators.								

Source: AQH-F6-15 Guidelines on Generic Assessment Criteria,