

### Task 01

1. Explain the decision tree and how we should use it to select most suitable agent (9)
2. Limitations of using decision tree. Non-financial factors to be considered 9
3. Suggest and Justify 3 KPI's to assess performance of the distribution agents

Decision tree  
Explain

Limitations  
probabilities are only estimates  
EV are running average  
this is one off decision  
have to consider if suppliers are sustainable  
have to consider food kilometres  
not know new market and new country

3 KPI's

On time deliveries  
Return due to damage in transit  
Time taken to deliver

Explain the decision tree and how we should use it to select most suitable agent

Decision tree

Decision tree is a graphical representation of costs and revenues together with probability's to decide which outcome of the decision would bring most profit or have lower costs. Jack has provided us with a decision tree where we have to decide to chose distribution agent Mane Inc. or Aim Ltd based on decision tree.

Explanation of decision tree

the decision tree has to be read from left to right. The square at the beginning represent the choice that we have between 2 distribution agents.

If we chose distribution agent Main Inc. We could potentially N\$12m sales when chose option 1 is is service but if we chose Aim Ltd we could potentially earn N\$13.32m sales but we have to bear in mind that we have to deducted marketing campaign this distributor will run for us which is the cost of N\$1.5m which will be deducted from our potential sales when deciding.

Limitations of using decision tree. Non-financial factors to be considered

If are to use decision tree for our decision to which distributor to chose we have to bear in mind that there are few limitation when using decision tree to decide

We have to take into account our manager risk to attitude. If our managers are very brave they would chose option with highest outcome regardless of probability's but risk neutral managers with choose outcome with highest expected value

**Commented [TCS1]:** Is this the mark allocation? If so, it is inaccurate. Note that the marks per task is 37.5. (37.5\*4 = 150)

**Commented [TCS2]:** Refrain from mentioning the answer plan as part of your answer. Instead, expand or flesh-out the answer plan when typing your answer.

**Commented [TCS3]:** Do not include the requirement of your answer. Instead, start with an appropriate main heading.

**Commented [TCS4]:** Accurate definition.

**Commented [TCS5]:** Appropriate heading.

**Commented [TCS6]:** Accurate. Yet, you have failed to describe the decision tree in depth. You should have described each decision option and recommended a decision based on expected values. Please refer to the suggested answer.

**Commented [TCS7]:** Appropriate heading.

As this project is one off we can not choose highest expected value to decide as EV is running average if project to be repeated many times. This particular project is one off.

We also have to consider if suppliers have the same attitude to sustainability as Meal@Home has. We have to investigate if suppliers are using electric vehicles for deliveries as we don't want to damage our reputation if it will turn out that our new supplier doesn't think about environment.

We are also entering new market and we don't know if Newland have the same attitude to food providers like Meal@Home. And also we don't know their spending habits.

**Suggest and Justify 3 KPI's to assess performance of the distribution agents**

To assess new distribution agents on their performance we could set targets to monitor if they are reaching our objectives and expectations. They should be challenging but achievable.

On time deliveries could be one KPI we could monitor. This way we could monitor what percentage of total deliveries were delayed due to different circumstances.

Another target we could measure is return due to damage in transit. If this number is to increase we would have to rectify the damage which incurs the costs to produce extra meal kits and it could damage our reputation in the long run.

Time taken to deliver.

## Task 02

**How expenditure will be recorded in financial statement and how we should depreciate the asset**

To recognise the 2 robot packer machines as assets to be capitalised they have to follow the criteria of the asset. Probable future economic benefits will flow to the company and it can be reliably measured. 2 packing machines adhere to these criteria's and can be capitalised in statement of financial position as a non-current asset.

Purchase price of the asset will be capitalised in SOFP. Installation and testing will also be capitalised as it is a cost to bring the asset to its intended use. Without installation and testing we won't be able to use the asset.

The cost of asset will be depreciated over 15 years on a straight line basis and be recorded in SOFP under accumulated depreciation and proportion of depreciation will be taken to statement of profit and loss which will reduce the profit. It won't be fair to expense asset cost in one go hence the cost is spread over assets useful life and proportion of its expenses in relation to use of the asset.

**How disposal of equipment will affect tax charge**

As per Newland's tax regime chargeable gains or losses are subject to capital tax rate of 20%. We have decided to sell one of our machineries which will create a gain in financial statements as the carrying value is less than selling price.

This gain will be taken to profit and loss which will increase the profit. At the end of the year all accounting gains/losses and accounting depreciation will be replaced with tax allowances/charges and tax depreciation to avoid companies taking advantages to increase/decrease profits.

Accounting gain from the selling of the asset will be replaced with tax gain which creates tax allowance in statement of profit and loss.

**Identify and explain 4 KPI's in production**

To monitor quality, efficiency and reduce costs in our production department we have to set challenging yet achievable KPI's to see if we are achieving those objectives.

Time taken to produce batch of meal kits

This KPI will measure if our production department is efficient. If we notice that the time taken to produce meal kits has increased we could take action to see the reason behind it. It could be that this is down to faulty machine and we have to take action to maintain machinery more often or it's down to new employees not grasping how to operate the machinery than we have to arrange training for those employees.

% of waste

This KPI will monitor how much wastage of herbs & spices/meal kit bags are wasted during production due to quality issues. This

**Commented [TCS8]:** You should have mentioned multiple limitations to gain full marks.

Further, you have only mentioned a single non-financial factor to be considered before arriving at the decision.

Please refer to the suggested answer.

**Commented [TCS9]:** Should have mentioned a better heading.

**Commented [TCS10]:** Accurate. Yet, you should have mentioned how to calculate each KPI and should have provided proper justifications to gain more marks.

It appears that you ran out of time. You need to practice mocks and stick to answer planning technique to overcome this issue.

**Commented [TCS11]:** Need a better heading. Please refer to the suggested answer.

**Commented [TCS12]:** Accurate. You should have mentioned about the treatment of networking expenses to gain full marks.

**Commented [TCS13]:** Accurate yet need to improve. Note that the depreciation should be split between the machine and its sensors. Refer to the suggested answer.

**Commented [TCS14]:** Should have mentioned a better heading.

**Commented [TCS15]:** The answer needs to improve significantly, since it lacks technical soundness. Please refer to the suggested answer to identify the type of information you need to include when answering this type of a question.

**Commented [TCS16]:** Should have determined a better heading.

**Commented [TCS17]:** Should have mentioned a better heading.

KI allows us to see if the material delivered are up to our standards. It could be that material are in poor quality hence the machine is not running smoothly which can cause down time in production.

% defective meal kits found

This KPI will allow us to see if we need to increase check of all material)

**Commented [TCS18]:** Accurate yet only 2 KPIs have been mentioned. I am happy with the justifications provided.

### Task 03

1. Explain expected values, standard deviation and coefficient of variation. How different risk attitudes affect decision. Explain limitations basing decision on information provided. 15
2. Principles of beyond budgeting. How we might apply them and benefits gained. 6
3. How feedforward control system differs from feedback. Benefits to be gained to switching to feedforward

Beyond budgeting  
rolling budgets - planning  
KPI - goals  
future focus  
participation

Feedforward  
look in the future and not back - budgets and forecasts

Explain expected values, standard deviation and coefficient of variation.

#### Expected values

Ev is long run average and is calculated by taking each outcome and their probabilities and summing them up. It is useful if new project is repeated multiple times but not suitable for one-off projects.

#### Standard deviation

It measures how far each outcome deviates from the mean. Its is calculated by comparing each outcome with expected value.

#### Coefficient of variations

It measures the volatility - difference between the standard deviation and the mean. the higher the Cov the greater the risk.

How different risk attitudes affect decision

#### maximax

This decision maker will chose the higher profit achievable without considering the probabilities of the outcome. Risk seeker will choose campaign 3 as it gives the highest possible profit of N\$1.9m additional profit even though there is a higher probability that this campaign will make a loss.

#### maximin

This decision maker is risk neutral and will choose lowest standard deviation. It will choose campaign 1 as it has lowest standard deviation.

#### minimax

This decision maker is risk averse and dont want to make a wrong decision. it will choose lowest coefficient of variation and choose campaign 1 as it is less riskier

Explain limitations basing decision on information

The are limitation based on information. We have to take in an account the risk attitud of Meal@Home management team. Also probabilities are only estimates and we cant rely on them as Everalnd is the new country and weare not yet familiar with the market.

Beyond the budgeting

Another form of budgeting where it encouraged companies to move away from budgeting which is backward looking.

Beyond budgeting encourages companies to use rolling budgets as they are updated more frequently. It will improve decision making It encourages participation of all employees on the companies which than motivate the to achieving targets.

It also encourages companies to move away from variances and use appropriate KPI's instead.

How we might apply them and benefits gained

If Meal@home decide to implement beyond budgeting instead of setting budgets one a year where standards would be out of date. Also motivation of employee will increase as employees input would be taken in to account.

How feedforward control system differs from feedback. Benefits to be gained to switching to feedforward

feedforward control system looks in to future as it uses forecasts and not budgets like feedback system does. It will encourage meal@Home to compare forecasts with actuals. Feedforward on other hand compares budgets with actuals where large variances might accure.

By switching to feedforward our management team compares up to date information with foracsted figures and

**Commented [TCS19]:** Should have mentioned a better heading.

**Commented [TCS20]:** Accurate yet should have elaborated in depth t gain full marks.

**Commented [TCS21]:** Should have mentioned a better heading.

**Commented [TCS22]:** Accurate yet need to improve. You would have gained more marks if you provided fully-fledged justifications for each risk attitude. Also note that the answer pertaining to risk neutral attitude is missing.

**Commented [TCS23]:** Should have mentioned a better heading.

**Commented [TCS24]:** Accurate yet need to improve significantly. You are supposed to develop a paragraph per answer point, rather than including multiple answers within a single paragraph (a paragraph should consist of 2 to 4 lined answers)

Further, you should have justified each limitation mentioned to gain more marks.

**Commented [TCS25]:** Appropriate heading.

**Commented [TCS26]:** Accurate. Yet, you should have described/justified each point in depth to gain full marks. Further, refrain from providing single lined answers.

**Commented [TCS27]:** Should have mentioned a better heading.

**Commented [TCS28]:** Accurate yet incomplete. Please refer to the suggested answer.

#### **Task 04**

1. Explain profit figures and why what if analysis is preferable to sensitivity analysis 19.5
2. Describe the concept principal budgeting. Explain link between principal and functional budgets.13.5
3. 4 non financial KPIs which can be measured the success of the expansion(market share, subscribers, customer 5\*ratings, )

**Explain profit figures**

Table you have provided shows 2 different budget assumptions. Assumption A shows that if we will reduce prices by 5% we will increase our sales volume by 15% and assumption B shows that if we reduce our sales prices than sales volume will increase by 30% and fixed costs by 5%.

Fixed cost increase in assumption B is probably down to extra machinery needed due to increased volume. This cost is called fixed stepped cost.

What if analysis takes in to account what we would expect the profit to be if sales price/volume and other variables changed.

Sensitivity analysis looks how far our prices can change before we would make a loss.

**Describe the concept principal budgeting**

Principal budgeting is derived from Sales budget. We will budget sales volumes first and it will tell us how much labour material etc. are needed to to satisfy the volume and we can then calculate operating cost for sales volume budgeted.

After principal budget is set any other budgets can be calculated based on expected sales. Functional budgets are derived from sales budget for example in production budget the functional budgeted would be material procurement budget or labour budget set after sales volumes are known. Principal budget is a main budget followed by functional budgets.

**4 non financial KPI's which can be measured the success of the expansion**

To measure success the expansion in Sunland we can set different KPI's to see if targets are being achieved in term of success of expansion

**%Market share**

By setting market share as a percentage of total market shares in Sunland we can see how well meal@Home have integrated in new country and how popular we are. If our market share is to fall we have to come up with a plan by increasing our visibility as one of meal kit suppliers. We could run a marketing campaign to attract new customers.

**New subscribers compared to previous year.**

This KPI would measure how popular we are among other meal kit providers year by year. We might need to make our self's visible through the social media to attract ne customer if our new subscribers fall compared to last year.

**Customer 5\* ratings**

This KPI will allow to see how we are performing in terms of customer service. there might be a gap in training hence we should implement a training plan to improve our customer service as meals@Home is customer focused.

**Commented [TCS29]:** Should have mentioned a better heading.

**Commented [TCS30]:** Accurate yet the justifications are mundane at most. Refer to the suggested answer.

**Commented [TCS31]:** Inaccurate. Please refer to the suggested answer.

**Commented [TCS32]:** Should have mentioned a better heading.

**Commented [TCS33]:** Accurate. Should have defined the concept of principal budgetary factor to gain full marks.

**Commented [TCS34]:** Appropriate heading.

**Commented [TCS35]:** Good job! However, you should have mentioned 4 KPIs to gain full marks.

**Marks**

Question		Allocated	Gained
1	a	14.5	6
	b	12	6
	c	11	4
2	a	9	5
	b	13.5	5
	c	15	7
3	a	19	9
	b	11	5
	c	7.5	3
4	a	17	4
	b	7.5	5
	c	13	9
<b>Total</b>		<b>150</b>	<b>68</b>
<b>Pass Mark</b>		<b>80</b>	<b>FAIL</b>

**General Comments**

**Commented [TCS36]:** Note that the following areas need to improve.

- Formatting (Use of appropriate headings, sub-headings & paragraphs. Avoid providing single lined sentences)
- Time management (Practice answer planning technique)
- Justifications (Need to improve significantly. It is mandatory to develop answer plans based on suggested answers to improve the quality of your answers).

Generally, your answers are accurate which shows that you have some understanding of theoretical/syllabus elements. You can gain better marks if descriptions and justifications under each answer point improves.