Financing assignment

[Business](), [Management]()

On this basis, CDC has set a strong foundation as one of the largest (by both sales and production value) confectionery companies in Vietnam and aims to leverage through expansion of our reach and product strategy into daily use products to become one of the largest food & beverage companies in Vietnam. The overall goal is to meet the daily demands of our consumers. Vision: “ FLAVOR YOUR LIFE” CDC creates life’s flavor through wholesome, healthy, nutritious and convenient foods. Mission: Kid’s mission for consumers is to identify, anticipate and meet the demands of our consumers with food, flavor and beverage products.

This includes the current range of products and looks to expand further into beverages, condiments, instant foods, processed foods, eats and health supply to become a full range, food & beverage company. Our goal is to provide products that are market leading in quality, healthy, satisfying and conveniently available all our consumers. Financial: As predicted, 2012 has proven to be a very challenging year for the country as a whole and businesses in particular. GAP growth was lower than expected, inflation remained high and consumer confidence and purchasing power were reduced to marginal growth levels.

These factors resulted in making it difficult for all businesses to realize their growth strategies, including us at CDC. However, despite very challenging economic environment of the past 12 months, CDC have successfully completed Stage Three of our four part growth strategy. CDC aimed for “ Profitability through Efficiencies”, and they realized that objective in 2012. However we are not stopping there. They are continuing to channel our resources into our core food business and invest in our distribution and supply chain networks.

Our primary goal continues to be striving for improved efficiencies which can drive profit by achieving optimal operating performance. To date, our results in this area have been impressive. They generated a profit of VEND 490 billion in 2012 as against VEND 349 billion the previous year. Significantly, our ROE increased from 7. 2% to 9. 1%. II. THE BODY Financial accounting is concerned with reporting to external parties such as owners, analysts, and creditors. These external users rarely have access to the information that is internal to the organization, nor do they specify the exact information that will be presented.

Instead, they must rely on the general reports presented by the company. Therefore, the reporting structure is well defined and standardized. The ethos of preparation and the reports presented are governed by rules of various standard-setting organizations. Furthermore, external users generally see only summarized or aggregated data. In contrast, managers of a business oftentimes need or desire far more detailed information. This information can sometimes take on familiar formats. Subsequent chapters will reveal typical examples of budgets, segment income reports, and so forth.

A fundamental awareness of the financial accounting processes and resulting financial statements is a vital prerequisite to understanding the framework for these typical managerial accounting reports. In addition, managers usually request reports that are tailored to specific decision- making tasks.

These reports are apt to become more “ free formed. ” Managerial accountants must be able to adapt their generalized knowledge of accounting to develop customized data and reports that are logical and support sound management processes. Managerial accounting information tends to be focused on products, departments, and activities.

It necessarily crosses over a broad range of functional areas including marketing, finance, and other disciplines. Many organizations refer to their internal accounting units as departments of strategic enhance, given their wide scope of duties. Managerial accounting information is ultimately based on internal specifications for data accumulation and presentation. These internal specifications should be clear and consistent. Great care must be taken to insure that resulting reports are sufficiently logical to enable good decisions. Specific reporting periods may be replaced with real-time data that enable quick response.

And, forecasted outcomes become critical for planning. Further, cost information should be disseminated in a way that managers can focus on their business components segments. . Features of useful management accounting information in CDC. The features are required in order for management accounting information to be useful, mainly in making decisions. The information must be: relevant, understandable, timely, comparable, reliable and complete and last with cost benefits features. A) Relevant. The management needs to consider only the relevant information. The information must be relevant to decision making in process.

We can understand simple, relevant information is a part of information that consequences in different decision being made for a particular activity. The piece of information have to be able to effect decision that has to be made. Relevance accounting information is the compilation of a company's financial dealings. CDC present accounting information to internal and external business stakeholders for creation decisions. Relevant to investors, creditors, and others for investment, credit, and similar decisions, accounting information must be capable of making dissimilarity in a decision.

Relevant in sequence should have predictive value, feedback value, and timeliness. Relevant information helps decision makers make predictions about future; it has Predictive Value. Relevant information also helps decision makers confirm or accurate previous prospect; it has Feedback Value Most companies must present accounting information according to national accounting standards; generally accepted accounting principles (GAP) symbolize the most trustworthy accounting standards.

GAP requires accounting information to include qualitative characteristics on which business stakeholders can rely. B) Understandable. The second feature of management accounting information is that it can be understood by the user of the information. The information clear, simple and easily understood by the manager. This is because most managers do not have a financial or accounting background. Therefore, it is reasonable for the management accountant to use simple terms that can be understood by the management to guarantee that the information is used to make accurate decisions.

Long winded information will only be puzzling and may cause erroneous decisions to be made. This implies the expression, with clarity, of accounting information in such a way that it will be understandable to users – who are generally assumed to have a reasonable knowledge of business and economic activities Accounting information and financial tenements should be prepared in such a way as to facilitate understanding by users of the financial statements. Information about complex matters should be presented, if important or material.

Users of information and financial statements are assumed to have a reasonable knowledge of business, economy, and accounting and to be willing to study information to gain a reasonable level of financial expertise. C) Timely. A piece of information is Just useful to the management if it is received in a timely manner. If Kid’s the management accounting information is received late, the correct actions cannot be taken or the decision made will no longer be of value. D) Comparable. Accounting information must be comparable. Kid’s management accounting information is often used by the management to make comparisons.

Accounting information and financial statements should be equipped in such a way as to assist assessment of entity information during time and also alongside information from different, but similar, entities. Comparability results when different enterprises apply the same accounting management to similar events. Compliance with international accounting standards helps to enhance comparability.) Reliable and Complete. KID’S management accounting information is always associated with the future. However, it cannot be 100% accurate. It only has to be accurate for a decision within a relevant range.

Thus, important and useful information during particular period cannot be left out. This is to ensure that the information is reliable as well as complete. Reliability is the quality of information that authorized users to depend on it with assurance. This means it is verifiable, has faithful representation, and is reasonably free of errors and bias. Representative closeness refers to resplendence or agreement between a measure or description and the phenomenon that it purports to represent. That means the numbers and imagery represent what really existed or happened.

Accounting information and financial statements should be prepared in such a way that they are free from material error and bias. That is that CDC represent faithfully that which they either hold themselves out to represent or could be reasonably expected to represent. F) With Cost- benefit Features. Kid’s the preparation of information will certainly incur cost such as the costs of collecting, analyzing and interpreting the data obtained. Thus, it is important that the information can bring returns that cover the costs involved. In other words, the value of the information obtained must be more than the costs of obtaining it.

The information must be useful before it can produce results. All in all, the accounting information is too particular, will enlarge the risk of investor decision- making, therefore the formation of the happening of internal control is leap to influence the entire capital market competence and capital market financing capacity. Thus, accounting information must allow the reader to recognized, so that it can be used properly. 2. Planning. CDC must plan for success. What does it mean to plan? It is about deciding on a course of action to reach a desired outcome. Planning must occur at all levels.

First, it occurs at the high level of setting strategy. It then moves to broad-based thought about how to establish an optimum position to maximize the potential for realization of goals. Finally, planning must give thoughtful consideration to financial realities/ constraints and anticipated monetary outcomes (budgets). A business organization may be made up of many individuals. These individuals must be orchestrated to work together in harmony. It is important that they share and understand the organizational plans. In short, everyone needs to be on the same page. As such, clear communication is imperative.) Strategy CDC should invest considerable time and effort in developing strategy. Employees, harried with day-to-day tasks, sometimes fail to see the need to take on strategic planning. It is difficult to see the linkage between strategic endeavors and the day-to- day corporate activities associated with delivering goods and services to customers. But, strategic planning ultimately defines the organization. Specific strategy setting can take many forms, but generally includes elements pertaining to the definition of ore values, mission, and objectives. Core values: An entity should clearly consider and define the rules by which it will play.

Core values can cover a broad spectrum involving concepts of fair play, human dignity, ethics, employment/promotion/ compensation, quality, customer service, environmental awareness, and so forth. If CDC does not cause its members to understand and focus on these important elements, it will soon find participants becoming solely “ profit-centric. ” This behavior leads to a short-term focus and potentially dangerous practices that may provide the seeds of self-destruction. Remember that management is to build business value by making the right decisions, and decisions about core values are essential.

Be aware that the Institute of Management Accountants (AMA) is a representative group for the managerial accounting profession. The IMAM has established a set of ethical standards for its members that are part of the core values for the profession. Imam’s overarching ethical principles include: Honesty, Fairness, Objectivity, and Responsibility. Many IMAM members have earned the CAM (certified management accountant) and CFML (certified financial manager) designations. These certificates represent significant competencies in managerial accounting and financial management skills, as well as a pledge to follow the ethical precepts of the ‘ MA.

Mission: CDC attempt to prepare a pithy statement about their mission. Such mission statements provide a snapshot of CDC and provide a focal point against which to match ideas and actions. They provide an important planning element because they define Kid’s purpose and direction. Interestingly, some organizations have avoided mission, in fear that it will limit opportunity for expansive thinking. For example, General Electric specifically states that it does not have a mission statement, per SE. Instead, its operating philosophy and business objectives are clearly articulated each year in the Letter to Shareowner, Employees and Customers.

In some sense, though, Gee's tag line reflects its mission: imagination at work. Perhaps the subliminal mission is to pursue opportunity wherever it can be found. As a result, GE is one of the world's most diversified entities in terms of the range of products and services it offers. Overall, the strategic structure of CDC is established by how well it defines its values and purpose. But, how does the managerial accountant help in this process? At first lance, these strategic issues seem to be broad and without accounting context.

But, information is needed about the returns that are being generated for investors; this accounting information is necessary to determine whether the profit objective is being achieved. Actually, though, managerial accounting goes much deeper. For example, how are core values policed? Consider that someone must monitor and provide information on environmental compliance. What is the most effective method for handling and properly disposing of hazardous waste? Are there alternative products that may cost more to acquire but cost less to dispose? What system must be established to record and track such material?

All of these issues require accountability. As another example, ethical codes likely deal with bidding procedures to obtain the best prices from capable suppliers. What controls are needed to monitor the purchasing process, provide for the best prices, and audit the quality of procured goods? All of these issues quickly evolve into internal accounting tasks. B) Positioning. An important part of the planning process is positioning CDC to achieve its goals. Positioning is a broad concept and depends on gathering and evaluating accounting information.

Costumer/Profit analysis and scalability: A subsequent chapter will cover cost/volume/profit analysis. It is imperative for managers to understand the nature of cost behavior and how changes in volume impact profitability. Methods include calculating break-even points and determining how to manage to achieve target income levels. Managerial accountants study business models and the ability (or inability) to bring them to profitability via increases in scale. Global Trade and Transfer: The management accountant frequently performs significant and complex analysis related to global activities.

This requires in-depth research into laws about tariffs, taxes, and shipping. In addition, global enterprises may transfer inventory and services between affiliated units in alternative countries. These transactions must be fairly measured to establish reasonable transfer prices (or potentially run afoul of tax and other rules of various countries involved). Once again, the management accountant is called to the task. Branding / Pricing / Sensitivity / Competition: In positioning a company's products and services, considerable thought must be given to branding and its impact on the business.

To build a brand requires considerable investment with an uncertain payback. Frequently, the same product can be positioned as an elite brand via a large investment in up-front advertising, or as a basic consumer product that will depend upon low price to drive sales. What is the correct approach? Information is needed to make the decision, and management will likely enlist the internal accounting staff to prepare prospective information based upon alternative scenarios. Likewise, product pricing decisions must be balanced against costs and competitive market conditions.

And, sensitivity analysis is needed o determine how sales and costs will respond to changes in market conditions. Decisions about positioning Kid's products and services are quite complex. The prudent manager will need considerable data to make good decisions. Management accountants will be directly involved in providing such data. They will usually work side-by-side with management in helping correctly interpret and utilize the information. It is worthwhile for a good manager to study the basic principles of managerial accounting in order to better understand how information can be effectively utilized in the decision process. Budgets. A necessary planning component is budgeting. Budgets outline the financial plans for an organization. There are various types of budgets. Kid's budgeting process must take into account ongoing operations, capital expenditure plans, and corporate financing. Operating Budgets: A plan must provide definition of the anticipated revenues and expenses of CDC, and more. Operating budgets can become fairly detailed. The process usually begins with an assessment of anticipated sales and proceeds to a detailed mapping of specific inventory purchases, staffing plans, and so forth.

These budgets oftentimes delineate allowable levels of expenditures for various departments. Capital Budgets: The budgeting process must also contemplate the need for capital expenditures relating to new facilities and equipment. These longer-term expenditure decisions must be evaluated logically to determine whether an investment can be Justified and what rate and duration of payback is likely to occur. Financial Budgets: CDC must assess financing needs, including an evaluation of potential cash shortages. These estimates enable companies to meet with lenders and demonstrate why and when additional financial support may be needed.

The budget process is quite important (no matter how tedious the process may seem) to the viability of an organization. Several of the subsequent chapters are devoted to the nature and elements of sound budgeting. 3) Directing. There are many good plans that are never realized. To realize a plan requires the initiation and direction of numerous actions. Often, these actions must be well coordinated and timed. Resources must be ready, and authorizations need to be in place to enable persons to act according to the plan. By analogy, imagine that a composer has written a beautiful score of music.

For it to come to life requires all members of the orchestra, and a conductor who can bring the orchestra into synchronization and harmony. Likewise, the managerial accountant has a major role in moving business plans into action. Information systems must be developed to allow management to maneuver the organization. Management must know that inventory is available when needed, productive resources (people and machinery) are scheduled appropriately, transportation systems will be available to deliver output, and so on. In addition, management must be ready to demonstrate compliance with contracts and regulations.

These are complex tasks which cannot occur without strong information resources provided by management accountants. Managerial accounting supports the “ directing” function in many ways. Areas of support include costing, production management, and special analysis. A) Costing. A strong manager must understand how costs are captured and assigned to goods and services. This is more complex than most people realize. Costing is such an extensive part of the management accounting function that many people refer to management accountants as cost accountants. But, cost accounting is only a subset f managerial accounting applications.

Cost accounting can be defined as the collection, assignment, and interpretation of cost. Subsequent chapters introduce alternative costing methods. It is important to know the cost of products and services. The ideal approach to capturing costs is dependent on what is being produced. Costing Methods: In some settings, costs may be captured by the Job costing method. CDC might consider tracing costs and assigning them to activities (e. G. , training, client development, etc.). Then, an allocation model can be used to attribute selected activities to a Job.

Such activity-based costing systems are particularly well suited to situations where overhead is high, and/or a variety of products and services are produced. Costing Concepts: In addition to alternative methods of costing, a good manager will need to understand different theories or concepts about costing. In a general sense, these approaches can be described as absorption and direct costing concepts. Under the absorption concept, a product or service would be assigned its full cost, including amounts that are not easily identified with a particular item, such as overhead items moieties called burden.

Overhead can include facilities depreciation, utilities, maintenance, and many other similar shared costs. With absorption costing, this overhead is schematically allocated among all units of output. In other words, output absorbs the full cost of the productive process. Absorption costing is required for external reporting purposes under generally accepted accounting principles. Some managers are aware that sole reliance on absorption costing numbers can lead to bad decisions. As a result, internal cost accounting processes in CDC focus on a direct costing approach.

With direct costing, a unit of output will be assigned only its direct cost of production (e. G. , direct materials, direct labor, and overhead that occurs with each unit produced). Future chapters examine differences between absorption and direct costing. B) Production. Successfully directing an organization requires prudent management of production. Because this is a hands-on process, and frequently involves dealing with the tangible portions of the business (inventory, fabrication, assembly, etc.), some managers are especially focused on this area of oversight.

Managerial accounting provides numerous tools for managers to use in support of production and logistics (moving goods through production to a customer). To generalize, production management is about running a lean business model. This means that costs must be minimized and efficiency maximized, while seeking to achieve enhanced output and quality standards. In the past few decades, advances in technology have greatly contributed to the ability to run a lean business. Product fabrication and assembly have been improved through virtually error-free robotics.

Accountability is handled via comprehensive software that tracks an array of data on a real-time basis. These enterprise resource packages are extensive in their power to deliver specific query- based information for CDC. BOB (business to business) systems provide data interchange with sufficient power to enable Kid’s information system to automatically initiate a product order on its vendor’s information system. Logistics is facilitated by radio frequency identification processors embedded in inventory that enable a computer to automatically track the quantity and location of inventory.

MM (machine to machine) enables connected devices to communicate information without requiring human engagement. These developments ultimately enhance CDC efficiency and the living standards of customers who benefit from better and cheaper products. But, despite their robust power, they do not replace human decision making. Managers must pay attention to the information being produced, and be ready to adjust business processes in response. Inventory: For a manufacturing CDC inventory may consist of raw materials, work in process, and finished goods.

The raw materials are the components and parts that are to be eventually processed into a final product. Work in process consists of goods that are actually under production. Finished goods are the completed units awaiting sale to customers. Each category will require special consideration and control. Failure to properly manage any category of inventory can be disastrous. Overstocking raw materials or overproduction of finished goods will increase costs and obsolescence. Conversely, out-of-stock situations for raw materials will silence the production line.

Failure to have goods on hand might result in lost sales. Subsequent chapters cover inventory management. Popular techniques include Just-in-time inventory management and economic order quantity. Responsibility Considerations: Enabling and motivating employees to work at peak performance is an important managerial role. For this to occur, employees must perceive that their productive efficiency and quality of output are fairly measured. A good manager will understand and be able to explain to others how such measures are determined.

Direct productive processes must be supported by many service departments (maintenance, engineering, accounting, cafeterias, etc.). These service departments have nothing to sell to outsiders, but are essential components of operation. The costs of service departments must be recovered for a business to survive. It is easy for a production manager to focus solely on the area under direct control and ignore the costs of support tasks. Yet, good management decisions require full consideration of the costs of support services.

Many alternative techniques are used by managerial accountants to allocate responsibility for CDC costs. A good manager will understand the need for such allocations and be able to explain and Justify them to employees who may not be fully aware of why profitability is more difficult to achieve than it would seem. In addition, techniques must be utilized to capture the cost of quality, or perhaps better aid, the cost of a lack of quality. Finished goods that do not function as promised cause substantial warranty costs, including rework, shipping, and scrap.

There is also an extreme long-run cost associated with a lack of customer satisfaction. Understanding concepts of responsibility accounting will also require one to think about attaching inputs and outcomes to those responsible for their ultimate disposition. In other words, a manager must be held accountable, but to do this requires the ability to monitor costs incurred and deliverables produced by defined areas of accountability (centers of responsibility). This does not happen by accident and requires extensive systems development work, as well as training and explanation, on the part of management accountants.) Analysis. Certain business decisions have recurrent themes: whether to outsource production and/or support functions, what level of production and pricing to establish, whether to accept special orders with private label branding or special pricing, and so forth. Managerial accounting provides theoretical models of calculations that are needed to support these types of decisions. Although such models are not perfect in every case, hey certainly are effective in stimulating correct thought. The seemingly obvious answer may not always yield the truly correct or best decision.

Therefore, subsequent chapters will provide insight into the logic and methods that need to be employed to manage these types of business decisions. 4) Controlling. Things rarely go exactly as planned, and management must make a concerted effort to monitor and adjust for deviations. The managerial accountant is a major facilitator of this control process, including exploration of alternative corrective strategies to remedy unfavorable situations. In addition, a recent trend is for enhanced internal controls and mandatory certifications by Coos and Scoffs as to the accuracy of financial reports.

These certifications carry penalties of perjury, and have gotten the attention of corporate executives. This has led to greatly expanded emphasis on controls of the various internal and external reporting mechanisms. CDC has a person designated as controller (sometimes termed " comptroller"). The controller is an important and respected position within CDC also the largest corporations. CDC control function is of sufficient complexity that a controller may have hundreds of purport personnel to assist with all phases of the management accounting process.

As this person's title suggests, the controller is primarily responsible for the control task; providing leadership for the entire cost and managerial accounting functions. In contrast, the chief financial officer (SCOFF) is usually responsible for external reporting, the treasury function, and general cash flow and financing management. In CDC, one person may serve a dual role as both the SCOFF and controller. Larger organizations may also have a separate internal audit group that reviews the work of the accounting and treasury units.

Because internal auditors are reporting on the effectiveness and integrity of other units within a business organization, they usually report directly to the highest levels of corporate leadership. A) Monitor. Begin by thinking about controlling a car. Steering, acceleration, and braking are not random; they are careful corrective responses to constant monitoring of many variables like traffic, road conditions, and so forth. Clearly, each action is in response to having monitored conditions and adopted an adjusting response. Likewise, business managers must rely on systematic monitoring tools to maintain awareness