Pepsico corporation and its range of products

Business, Company

Introduction

The history of PepsiCo Corporation history dates back in 1965 when a merger between PepsiCo-cola and Frito-Lay took place, a happening that was followed by massive expansion and amalgamation of the original merger with other international companies that form the present famous PepsiCo Corporation. In broad spectrum, PepsiCo Company in the American perspective plays a major role in the manufacturing, marketing, sales and distribution of drink concentrates as well as the production of diverse foodstuffs that fit in different global markets (Barney, 1995).

As a matter of fact, the company through strategic partnerships and new product development expands its products line-ups to deliver and put forward top selling consumables for almost every occasion globe wisely. According to Barney (1995) in thefoodindustry, the American based company is recognized globally by its abilities to offer the world's largest portfolios of multi-billion dollar food and beverage brands.

Most importantly, PepsiCo endeavors to produce different market thriving products is driven by their desire to build and extend their global market food and beverage assortments as well as their continuous efforts to build a worldwide nutrition business (Horngren, 2002).

The corporations brands include; Pepsi-soda, Doritos, Starbucks, the Mist, Tropicana and Riffles among others and are branded with household names as a customer-win strategy where it generates billions in retail sales. Essentially, according to Horngren (2002), the company is among the world's

largest food and beverage manufacturers and operates with eighteen brands of beverages and snack foods in over 200 countries .

Effects of changes in the variable costs / fixed cost structure of the company on cost -volume analysis decisions by managers.

As far as any company is concerned, the process of decision making by managers is directly or indirectly affected by the changes realized as a result of variable and fixed cost structure repositioning. Nevertheless, decisions made by managers are aimed to improve any company's well-being hence they involve choices among unconventional courses of action and the same applies in the case of PepsiCo corporation (Barney, 1995).

Financial information in the company directly relate to the cost of leasing and the cost of purchasing. In the same manner it happens in other companies, PepsiCo's financial and managerial accounting edges assist in analyzing data to make logical economical assessments through studying the alliterations produced by changes in variable and fixed costs. They are the costs that do not show a discrepancy in general when the normal level of a company's output varies.

In fact in PepsiCo Company, different researchers and scholars in the field of management accounting as pertains PepsiCo Corporation argue that when sales levels increase, fixed costs in general are unlikely to increase. This is the same principle that applies similarly in other business organizations. Essentially, fixed costs in the corporation, fixed costs are not depended on the output levels but are rather calculated in terms of times; that is annually, monthly or weekly (Zimmerman & Yahya-Zadeh, 2011).

Through Cost/Volume/ Profit analysis of the costs, managers are able to evaluate the company’s progress. On the other hand, variable costs increase proportionately to the level of sales. In PepsiCo’s case, variable costs are premeditated in terms of the products sold since the corporation is involved in the exchange of material goods (Zimmerman & Yahya-Zadeh, 2011).

Through a critical analysis of the effects of the change of both fixed and variable costs, managers acquire an opportunity to calculate gross profits , determining the company’s Costs Per Unit as well as contributing to the development of Margin analysis. In addition the changes in the company’s costs enables decision makers; in this case mangers to determine the businesses Break-even points.

Current cost system and benefits of activity based costing (ABC) to traditional costing

The production department at PepsiCo recognizes the costs by classifying them on the basis of their behavior and then allocates them to different production sub- units. These costs are grouped as either fixed or variable after which they allocated to the production department. Perfectly, the company employs activity based costing (ABC) to allocate the various cost by identifying each single cost driver (Du, 2007).

The major cost driver in the production department encompasses majorly recourses that are consumed by each production activity. This system of costing recognizes the basic cost activities as the building blocks from the overall cost for the firm is build. Importantly, the cost is based on the level of

the production activities that are being carried out and the associated cost drivers (Kaplan & Anderson, 2013).

The different activities of each department are analyzed withrespectto their cost driver. For instance, the number of hours worked by employees is cost driver in the labor costs and must be considered in the analysis of the effectiveness of the system. In addition, all the cost blocks each department are summed and recognized on the production giving a concrete way of catering for the costs that do not directly relate to production (Kaplan & Anderson, 2013). .

The activity based costing (ABC) finds high applicability in many companies since it seeks to eliminate the defects that are associated with traditional method such as accuracy and lack of consistency. For instance, the system recognizes the cost drivers of each activity in the production and allocates the overheads to specific operation. According to Du (2007), overheads are not jointly incurred but depend upon the level at which an activity occurs.

Different activities have different rates of resource utilization and as a consequence, different level of overheads. Additionally, the process is simple, easy to understand and available to many businesses irrespective of their size and the mode of operation, hence applied by many businesses across the globe. It brings out very detailed information about the company processes in order to access the management capacity to allocate resources to those operations that are less costly (Du, 2007).

Most importantly, the method is applied in the accessing the improvements of the cost management in an organization. In fact, the cost may be cut

down by allocating more resources to those activities with fewer overheads and limited resources to activities with high overheads, in turn avoiding the wasteful use resources.

The system insists in better understanding of the concept of production overheads in any production process whereby the common business costs are related to their cost drivers. Furthermore, the system is useful to managers in decision making by analysis of both the internal and external financial responsibilities of the firm. Precisely, the cost is put into pools so the organization may assign the processes that best reflect the manner in which costs are incurred.

The resources allocated to an activity are based upon activity level. Moreover, the system is very accurate in relation to product line, store keeping and the end users of the product (Kaplan & Anderson, 2013). Consequently, the managers are capable of put the needs of the users into consideration. For instance, the overhead allocated to each activity is applied at deciding the pricing that favor the users of the product at the time maintaining the profitability of the organization.

Strategies management can implement to respond to the changing conditions affecting budgetary planning and forecasting.

Budgetary planning is a control mechanism that is essential in any organization and ensures that the set objectives andgoalsare achieved either on short term or on long-term basis. In respect to business financial management, budgets are financial expressions that act as the blueprint or a plan of action that guide activities and projects to the set directions.

It is the tool utilized by managers to realize optimum organizational performance. However, for success to be realized in big corporation such as PepsiCo, budget controls must be effectively instituted. Conversely, budgetary planning can be effectively established if the executive can adopt reliable strategic management approaches (Zimmerman & Yahya-Zadeh, 2011).

In every financial year, PepsiCo’s company increases in size consequently widening its markets. It is in this respect that scholars perceive that good budgetary planning is the basis for continuous improvement of a company’s fiscal endeavors. This include; linking budgetary allocations to corporate strategies, designing methods that apportion resources advantageously, linking cost management efforts to budgeting and automation of all the company’s undertakings.

Essentially, management can major in increasing the organizational focus on material things as well as the employee need, developing honesty in all budgetary anticipatory planning besides giving change and improvement a chance in all the company’s events (Horngren, 2002). In addition, management should conduct regular business reviews to establish the performance of the current budget plan alongside reducing complexity and cycle time. As a result, the above-discussed strategies can assist PepsiCo’s management respond to the changing conditions hence gaining profound profits that lead to financial success.

References

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