

Swot and accounting analysis of asda

[Business](#), [Accounting](#)



Introduction

BACKGROUND OF ASDA

ASDA stores limited was founded as Associated Dairies and Farms Limited in 1949 and it is basically an abbreviation of Asquith and Dairies (ASDA). In 1965 ASDA gets merged with the Asquith chain of three supermarket and Associated Dairies. ASDA introduced his first concept of the superstore in 1965. In the mid of 1980s ASDA started to expand his warehouse stores to face the freshfoodselection sets by its competitors. In the late 1990s the ASDA had its 220 superstores in Britain which helps ASDA to become famous and popular. The basic origin of the ASDA is that they was formed by the English dairy farmers to protect themselves from the falling milk prices after first world war. After First World War when the price of milk gets in control a dairy farmer from Yorkshire named J. W. Hindell made Hindell Dairy Farmers Limited which deals in both wholesale and retail outlet of milk. In March 1949 it becomes a public company as Associated Dairies and Farm Stores Limited. It includes some 26 farms, three dairies, two bakeries, 42 retail shops, and pork-butcher facilities (referenceforbusiness. com).

Product of ASDA

ASDA stores deals in almost every product which comes under the daily life. The products of ASDA are highly trusted in quality. ASDA sells food item which includes milk, fruit, vegetables, meat, frozen foods juice, music cds , pharmacy and drinks. The quality of their products are the best in the entire market of UK. ASDA has also included the electronic product like laptop, music player, mobile phones and other electronic gadgets. They also sell the

jewellery item. Its product is available in low price from the market which makes ASDA leading grocery store globally. Competitors

ASDA has many competitors in the market such as Tesco, Safeway and Sainsbury are the main competitors of ASDA. ASDA has still maintained its status in the market by maintaining the quality of the product and the lowest price which makes ASDA on the top list of the UK market. They maintain their status so well that they didn't change their products quality. They believe in giving 100 % customer satisfaction and they even don't take it lightly.

Process

ASDA only deals in supermarket not in manufacturing of products. The company buy the product from the farmers directly and sells those products in its stores by maintaining it quality. The customer selected the product which are placed in the food stalls, and take those products to the cash counter for the payment. If the customer is not satisfied in the product he can replace it at the same store. ASDA not only deals with food items they sell textiles, from where they earn majority of their revenue, they basically out sourced their textile products from Pakistan, India and Bangladesh. ASDA also do produce their own valued item in foods and confectionary.

Policies

ASDA Company had policies which follows the law and regulations. There laws and regulations are very strict in the terms of quality of their product. If the customer is not happy and satisfied with any product which they brought from ASDA like home and leisure, grocery, fresh or frozen items they can

return the product and they will offer a full refund or replacement of their product. The receipt or proof of purchase is preferred but not essential in ASDA stores. There are some more rules and regulation applied for their different products like Electrical products, entertainments items (music, Films and games), fashion items range and in pharmacy also. If the customer is not happy with these items they have to returned these items in 20 days from the date of purchase (your. asda. com).

Management Accounting Techniques:

Methods and techniques

There are many methods and techniques in which we understand the management accounting some of them are as follows.

Activity based costing

Activity based costing is basically used for measuring activities and cost of consuming resources. Activity base costing is an activity which is generally based in the capacity of the manufacture. It is used to calculate the unit price of the product, costing of activities in the terms of variable and fixed cost.

ASDA is good in calculating its Activity based costing which helps in calculating cost at each activity such as supply chain cost, ware house cost etc which ultimately helps in minimizing cost at each activity and helps in maintaining overall cost.

Budgeting

Budgeting is very important technique which organizations adopt for their management accounting, whether it is small or big orgainzation in terms of

planning, coordination, motivation, coordination, control, communication and in performance evaluation. It helps organization in order to control its expenses and cost. It is very helpful for the company to make a rough comparison between the income and expenditure of company on monthly basis. For the budgeting manufacture of the ASDA they include production, administration and sales budgeting. Budgeting is prepared into two ways (David Hobbs; Management Accounting).

Periodic budgets

Continuous or rolling budgets

Periodic budget:

Periodic budget are those which are made for period of time, that period can be of one year, or either for quarters, it depends how big the organization is and how vulnerable its sales figures over the year.

Continuous or rolling budget:

Continuous or rolling budgets are those budgets in which there is master budget, which is usually for an year, and after each quarter or four months the the budget for next quarter is added into master budget (David Hobbs; Management Accounting).

As far as ASDA is concerned ASDA adopts the continuous or rolling budget, where they maintain the master budget for an year and in order to be competitive with other major competitors rolling budget should be revolved around their master budgets which helps in maintaining the plans according to change .

Job Ordering Costing

Job ordering costing method is basically the production in each time period. It is calculated by dividing the number of units in job by the total cost of job.

ASDA is a big organization where job ordering costing doesn't apply as much they are basically supplying products in large quantity.

Recommendations for ASDA (Budgeting):-

ASDA adopts the budgeting technique which is explained above their major focus is on the rolling budgeting, which helps in estimating cost for each quarter. Budgeting is that one tool which makes relevant information and estimation about each department. It also creates a motivational factor among all the stakeholders.

Budgeting has internal and external influence on growth of an organization and it helps in overviewing their plan to grow in international market such as in south Asian countries (Pakistan or India).

Rolling budgets are helpful in analysing financial control decision and helps in estimating overall cost for the whole year which can be changed according to sales figures of last quarter.

Job ordering is the least demandable for the ASDA because allocation of prices to each single thing is difficult such as overhead costs, direct costs.

According to the ASDA continuous growth showing to us that job ordering costing system is excellently managed by ASDA.

Activity based costing (ABC)

Activity based costing is a useful technique which is used to allocate cost according to product and services which helps in planning and monitoring.

ASDA should follow (ABC) because it is a new system for allocating prices to products and services. The usual accounting system is now obsolete and nowadays ABC is now mostly adopted as it has good control over pricing and costing.

Capital investment decision is also least concerned for ASDA because in its financial planning it is already settled and as a proof of the ASDA's balance sheet is showing a continuous growth since last 3 years. ASDA has over all managed its budget quite well, because its continuous expansion and growing showed the credibility of the budgeting system. Budget is the key element for ASDA to manage its global operations.

SWOT analysis:-

SWOT analysis is used for identifying potential strengths and weakness for organization. SWOT analysis which is done accordingly.

This report is overall based on the personal reflection which I obtained from data related to ASDA which was easily accessible to be. This report doesnt only deal with fact and figures related to ASDA but give the recommendation relating ASDA management accounting technique. The major focus is on the budgeting technique that how ASDA is implementing budgeting technique to it its company and explains why rolling budgeting concept is applicable to ASDA and why it is the point of focus.

The other major technique which was considered for management accounting of ASDA is Activity based costing and how it helps an organization to maintain its costing. It also do explains why Job order costing is not applicable to ASDA.

The weakness which one might think about this analysis is the resources were quite limited and all consideration was made on personal obseravation and knowledge which I posses. The job order costing could be implemented but as my scope was limited so, I didn't able to job order costing and its also not applicable for big company like ASDA.

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