

# Repair section analysis 4 report samples

[Business](#), [Management](#)



## **Management Accounting for Business Decisions**

### Executive Summary

This report is very important from the management's point of view because of the reason that it thoroughly focused on all the major organizational structure, system and the policies of the business. In this report, full analysis of the repair segment, conversion segment, administration department, existing services and inventory management procedures has been made. Moreover, weak areas have been identified, and full recommendations have been made at the ending part of this report in order to convert the weak sections into the stronger section. Overall, this report will provide a clear cut guideline regarding what is going wrong in the business segments which will ultimately help to make some important business decisions involving the change in the organizational structure, planning and also which area requires more investments of the assets.

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## Introduction

In order to analyze the business in detail, firstly the current procedures of all the segments have been viewed in great depth in order to find out the weak points. Moreover, financial performance in repair and conversion segment will be analyzed in order to judge which segment is generating more profit margin with the usage of less employment of the assets.

## **Repair Section Analysis**

This is the smallest department, and this is an area where customer brings their motor home or caravan for repair purpose. One thing is considered to be a good sign for this department, and that is to have a large stock of spare parts in order to make sure that timely repairs can be made. This policy may increase the business goodwill among customers.

After analyzing the profit and total assets of the repair section, it is evident that total assets are very low as compared to the total assets employed in conversion section. The profit margin in repair section is very high throughout the preceding 6 years (i. e. 2008-2013). For example, the profit margin of the repair in year 2013 was 57. 5% [(i. e. 115, 000/200, 000)\*100] that is very high as compared to conversion segment of the business.

After the full analysis of the repair section, it is very much feasible to employ more assets and also to expand the area of the repair section in order to make more sales because of very high profit margin percentages regarding the repair sales.

## **Conversion Section Analysis**

This is the highly concentrated and more invested part of the business. After analyzing the financial performance of this section for the previous six years, it is evident that the employed assets are very high as compared to repair section but the profit margin is very low as compared to repair section. For example, the profit margin in 2013 was just 17.69% [(i. e.  $230,000 / 1,300,000$ )\*100].

As far as conversion segment is concerned, it is advisable to reduce the invested assets and advisable to invest more assets in repair section to generate higher profit margins for the business. Moreover, it is also feasible to focus on advertising the business in order to attract more customers in order to generate more profits as increasing prices not seems to be a feasible technique because of increasing high competition in the same industry.

## **Administration Section Analysis**

Employees in this department are mainly responsible for the matters relating to managing worksheets, checking and comparing prices of the recently completed order with a historical order and also managing cash flows.

In the administration segment, it seems to be a need to imply the very easy and user friendly computerized system for the employees to record the information that are currently required to be entered by the employee manually. That new will surely save time of the employees and will insure more accurate record of the information.

## **Worksheets**

After analyzing the worksheets filling procedures, it seems that lots of time of the employees is being consumed in filling worksheets different column and moreover lots of difficulty arises because of the workers tendency to fill wrong information in the worksheet.

## **Checking Prices**

It also seems to be inaccurate procedure of firstly completing the order, accumulate the costs of that order and then compare the cost to the historical cost of the order. Then after report to the head of the department if any significant difference arises.

There should be a standard costing system for the labor costing at least so that the performance of the employees can be traced and controlled for the betterment purpose. It also seems to be the need of the computerized system in order to trace the cost more rapidly and immediately. Moreover, activity based costing may seems to be the most relevant and rational costing system which should be employed for the cost tracing purpose.

## **Cash Flows**

It has been observed that the company is operating in a very risk because the whole business depends on the sales and the bank loans only. Bank loans also increase the costs of the business in case of interest expenses which decrease the profits of the company. Moreover, company also does not have proper tracing system for their debtor that is a very weak point of the business.

After analyzing the cash flows operations, investing more capital in a

business would be a great option as because it helps the business to operate smoothly and on the same side, it also saves the business from the borrowing costs which ultimately helps business to make more profits. Proper accounting system should also be installed in the business premises as because it is vital for the recording, tracing and for future references purpose.

### **Employee Turnover Analysis**

It has been viewed that there is an increase in employee absenteeism, turnover and loss of motivation amongst existing employees. In order to reduce that situation, the department head provides full freedom to employees regarding the execution of the task and that results in more faulty incidents by the employees.

In order to keep employees fully motivated and interesting in the work, there should be a bonus scheme for the employees who achieve a specific and realistic target. Moreover, employee should be given the recognition if he/she performs well in the job. All these factors will surely increase the motivation and reduce the employee turnover.

### **Inventory Management Analysis**

Currently, management of the business is intended in keeping high stocks because of the following reasons.

- Timely delivery
- Upward movement in the prices
- Long lead times

## **The major drawback of having a very large amount of inventory is to bear very high storage cost.**

After analyzing the inventory management system, it is concluded that management of the company should try to search that supplier who will be able to deliver the required goods in a very short time so that will allow the company to maintain a low inventory stock in order to reduce the storage expenses of the stock. That step will help to generate more profits.

## **Conclusions**

All above mentioned recommendations will surely prove to be very helpful for the business. There are major challenges which a business can face during the change process and these are mentioned below.

- Resistance by the employee
- Implementation of the training provision for the employee
- Greater needs and the concentration of the employees towards the change
- Investment needs and the need to change the organizational structure/process

The major things which need to be considered before applying all the above mentioned changes is that there are greater chances for the employees to resist changes. The management needs to develop some strategies regarding overcoming the resistance to change. This may be achieved by the involvement of the employees in the discussions before applying the changes.

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