

# Managing financial resources



**ASSIGN  
BUSTER**

Devon Ltd is a retail injection machine sales group which deals with the sale of new and used injection machines and the provision of after-sales services. These are the main sources of income for the company. The sales of machines will involve volume manufacturers and specialist's manufacturers who will produce high quality machines that meet the requirements of the customers. The after sales business will also involve two activities which are servicing and repairs of machines and sales of parts and accessories. With the key objective of after sale services being to achieve as much high level activity as possible from the routine servicing and repairs, the company has to make sure that it schedules regular servicing and repairs for its customers who feel thankful for the service.

#### Use of finance as a resource

A resource being a material or an asset that can be transformed to produce a benefit, finance can also be transformed to yield profits. In this business, the finance gotten from sales of machines and the after sale services is transformed to benefits by being used in the production of goods and services like in the production of new machines to be sold to customers. Finance can also be used to create other resources like land which is a natural resource and labour which is a human resource. For example, the finance gotten from the sale of machines can be used to employ more workers so as to increase the productivity of the company. Also the finance can be used to buy land for future expansion of the business.

#### Financial performance

The ability of the business to generate profit from the after-sales activities is directly dependent on the volume of machine sales. This is because after-sales services are only done on already sold goods. Therefore, the company has to make sure that they make as many sales as possible so as to make as much profit as possible from these after sales.

The sale of parts and accessories provide opportunities for additional profits to be gotten from the sale of machines. The machine sales usually have a low profit per unit of the machine sold therefore it is obvious that more profit is made from the sale of parts and accessories and through upgrading of the machine functionality than from the sale of a whole machine. This is because each part is charged individually and the sums of their charges add up to a sum more than the charge of the whole machine.

#### Financial decisions

Due to the increased consumer demand and competition for markets from other companies, good strategies have to be put in place and be implemented so as to fit in the changing market. One of the strategies is to manufacture and distribute private label tools that cannot be imitated by other companies. Also the sales on commission will be highly encouraged to supplement the promotion expenses of the company. The commission offered on each unit sale will be \$4.

Advertising of the products will also be put into consideration because it is the strongest marketing strategy. Advertising is meant to positively change the consumer's behaviour towards a certain good or service or change the perception of a consumer towards a good or a service. An investment of

\$460, 000 will be made at the start of the project so as to cater for the advertisement costs for four years in which there will be a 10% saving from the preceding year spending level.