

Portfolio case study

Business



Imagine you are applying to become a trainee in a management consulting company, Solutions Inc. , which claims to deliver innovative solutions. They are looking for innovative employees who engage with their work. The selection process will be rigorous. You know you will be asked to submit reports based on questions regarding {Our knowledge of management accounting practice and strategic management accounting.

To provide a context for the reports, you have been provided with a scenario in the form a case study on which the questions are based. To answer the questions you are going to have to do some research in the library. Giving you the questions is a method to test your information literacy skills. Submitting your answers in the form of reports is a way of testing your aptitude as an analyst and communicator.

Scenario on which to base your report submissions Assume you have been appointed as a consulting Management Accountant to an organization with rapidly growing sales and expanding customer acceptance in the surf wear clothing target market 18-30 years.

The clothing is sold under an increasingly recognized brand name worldwide. Sales are made online -both internationally and locally, as well as through franchised outlets. The accounting system has not kept pace with the growth and complexity of the company.

It is even more critical for the company to take control of its finances in the current slow recovery of the U. S. And European markets.

You have been given a list of issues listed below by the management of the company. In analyzing the issues, the management of the company is concerned that the accounting system does not provide tight cost control, measure quality control, and does not provide a good basis for the budgeting system. No cost analysis has been done within the company to date. The management of the company wishes you to investigate the following issues; given that management wishes to maintain growth in this turbulent environment: Report One (Issues 1 to 3) Issue 1: It is difficult to see the relationship between the stated cost to production and the selling price for the various lines of clothing ranging from simple to complex clothing. According to the management “ We don’t need a product costing system.

About half of our product range is made in China and shipped to online customers from there so to avoid SST.

The remainder of our production consists of a growing range of high value, small batches of swim wear, surf wear and wet suits. We apply a Just-in-time approach so that our inventories are minimal. We have little influence over product price as price competition is on the increase and brand loyalty isn’t sufficiently strong to justify uncompetitive prices. Anyway, our accountant is already far too busy to bother with a product costing system”. In your submission to the management, discuss the current no costing policy, and present an argument in support of undertaking an appropriate product costing system.

Issue 2: The managers of the company have been convinced that they need a better costing system for their local production. They have heard about

Activity Based Costing and they believe that it will improve the accuracy of the costing of their products. In your submission to the management, provide the conditions under which the use of activity based costing may be Justified, and whether you believe there is a case to implement Activity Based Costing in this organization. Issue 3: ere management of the company has concerns that they do not know enough about he relationship between cost and profit.

Include in your submission to the management, a discussion on the difficulties they may face in gathering the Information they might need to carry out an analysis of cost behavior, and the development of a cost function in this company.

A brief comment on the benefits the company can derive from a full understanding of cost behavior is also desirable. Report Two (Issues 4 to 6) Issue 4: ere management wants to be able to predict the effect on profits resulting from Changes in volume, costs and prices.

Prepare a submission for management on how his may be done, and the difficulties that they are likely to face in undertaking this sort of analysis. Issue 5: Previously the company did not use budgets because the owners were the managers of the business and close to activities being managed and did not feel the need for budgets. As the company has grown, and the operations have become more diverse, professional managers have been recruited. Include in your submission an argument for budgeting, indicating the benefits of budgeting, and the factors to take into consideration when faced with uncertainty regarding sales growth.

Issue 6: ere company has a need to make choices sometimes whether to make or buy certain of the products carrying their brand. On other occasions they are also required to make decisions on special prices when a potential retailer makes an offer to buy odds from them at a price lower than their normal price. The management currently make their decisions in these matters based on the average cost of goods sold in the previous accounting period. Discuss the concept of Relevant cost and benefits, and the type of accounting and non-accounting information they would need for such sections.

Instructions for the portfolio submissions: 1 .

Assume that the management of the company has little technical knowledge in management accounting. You would need to define terms and explain concepts to the management before linking those terms and concepts to your report. 2. You must submit your responses in the form of two separate reports as follows: a. Report 1 covering Issues 1 to 3 b. Report 2 covering Issues 4 to 6 Vow should read the Guidelines available on blackboard prior to writing up your report.

There are strict requirements as regards formatting and layout.