

Level 4 - Professional Diploma Synoptic Assessment (PDSY)

Pre-release material for LIVE assessments

Version date: 1 September 2016

Instructions to candidates

This material is designed to contextualise the tasks you will receive in your live assessments.

This document has been made available to you ahead of your assessment. Studying this material will encourage you to think about the assessment topics in an integrated way, which is necessary for performing well in the synoptic assessment.

You will not be able to take a copy of this document into the assessment with you. However, you will have access to this material through pop-up windows in the assessment.

Please note: This pre-release material relates to the live assessments only.

Company background and history

You are employed as an Accounting Technician at Green Print Limited (GPL). The company sells both new and recycled printer cartridges.

GPL was set up three years ago by three of its four current directors, who are also its major shareholders. Ray Hoddes joined the board as Finance Director a year ago when the original directors realised the need to increase the company's professional accounting expertise.

The other directors were all previously involved, at various companies, in the manufacturing or distribution of inkjet and laser toner cartridges. They set up GPL to capitalise on their intimate knowledge of the ink recycling industry, knowing that there is a strong market demand for cheaper and greener products. They set out to achieve this by selling used ink cartridges that have been refilled, as well as selling new ones.

The company offers a part exchange facility, whereby customers can either post used cartridges to a central facility for GPL's online shop or they can physically take them into one of GPL's chain of shops that are situated in many large UK towns and cities. In exchange for each old empty cartridge, customers receive a 20% discount against the cost of a new replacement cartridge. GPL then batches up the old empty cartridges by type, and sends them off to a small number of cartridge manufacturers who then refill them for GPL to resell.

Company ethos

GPL emphasises the green, sustainability advantages of its business model, and stresses the environmental advantages in its advertising.

Its refilled cartridges are also around 25% cheaper than the original branded products, even before deduction of the discount for returning empty cartridges.

GPL is also keen to stress the ethical nature of its business.

Quality is also a key issue for GPL. GPL's contracts with the manufacturers who supply them stress that the yield (number of printed pages per cartridge) must be as good as that of the original branded products.

Sales, inventory and turnover

GPL sells its product range through its nationwide chain of high street shops, and also through its online shop. The company has its head office on an industrial estate in Manchester, where its management team and accounts department are both based. It also has a large central warehouse on this site, from which it distributes the online sales directly to customers and makes daily despatches to its chain of shops.

The company aims to hold just enough inventory in each shop to be able to meet a week's average sales. It also keeps sufficient inventory in the central warehouse to be able to offer a next day delivery service to the chain of shops and to dispatch cartridges to customers immediately upon receipt of their order.

This policy aims to minimise GPL's inventory holding costs, whilst at the same time ensuring there are no stock-outs. It is crucial to the company's profitability that it is able to operate on a near just-in-time system to minimise inventory holding costs.

Over the past three years the company has grown steadily and now has a turnover of over £30 million, and employs around 200 full-time equivalent employees.

Developments in the market

During the past few years, the concept of recycling has become common place and there are several competitors to GPL with similar business models. Despite this, GPL is still a fast-growing business, and its emphasis on sustainability and low costs is paying off.

In January 20X6, GPL acquired a smaller competitor in the same business sector – Printwell Ltd.

GPL's strategic planning and control

When Ray Hoddes joined GPL, he suggested moving the emphasis away from just measuring the company's financial results. This new approach involves looking at the business from different perspectives, rather than just the financial one. The directors agreed that Ray should develop appropriate measures and judge GPL's performance against these.

These measures have now been in place for six months, and have just been reviewed.

Perspective 1

The first perspective involves employee training and having corporate cultural attitudes that relate to both individual and corporate self-improvement. People are an important resource. In a market with strong competition and rapid changes in business models, it is important that employees are continually learning and developing.

Training and development funds have been used in areas where they can help the most.

This perspective also considers things like the effectiveness of mentoring and the effectiveness of communication among employees within GPL.

In general, the first six months' results show that the company has not performed particularly well in relation to this perspective. Learning and development is not being focussed on as well as the company thought.

Perspective 2

The second perspective refers to internal business processes. Measures based on this perspective allow GPL to see how well the business is running, and whether its products conform to customer requirements and expectations. The various line managers within GPL were fully involved in designing these measures.

In general, the first six months' results show that the company has performed well in relation to this perspective. The business is gradually increasing the market share of its range of products.

Perspective 3

The third perspective measures how GPL's customers view the business. The directors have always stressed the importance of customer focus and customer satisfaction. The Sales Director, Janice Wild, has emphasised that these are leading indicators – if customers are not satisfied, they will eventually find other suppliers. Poor performance from this perspective is therefore predicting future decline, even though the current financial results may look good.

The first six months' results indicate that customers were not always satisfied with GPL's service levels but were usually satisfied with its products. Some of the directors believe that the perceived problems with service levels lie, at least in part, in poor internal controls and systemic weaknesses.

Perspective 4

The fourth and final perspective is the traditional financial one. The financial results continue to show increasing profits, which the other three perspectives help to explain. However, Ray Hoddes has expressed concerns that GPL's fast growth rate may result in an overtrading position, where its financial and other resources are insufficient for the rate of expansion.

Staff

Some of GPL's key personnel are listed below:

Managing Director	David Trent
Finance Director	Ray Hoddes
Operations Director	Melinda Patel
Sales Director	Janice Wild
Chief Accountant	Miles Harper
Purchasing Manager	Karl Jensen
Warehouse Manager	Dimitri Georgiou
Credit Controller	Charlotte Wright
Accounts Payable Clerk	George Kaminski
Accounts Receivable Clerk	Laura Charles
General Accounts Clerk and Cashier	June Hutton
Payroll Clerk	Alexi Petrov

GPL's financial statements

The financial statements of GPL for the year ended 31 December 20X5 show that the company had a turnover of £30 million, and made a profit before tax of £2.2 million.

These accounts do not include the results of Printwell Ltd, which was acquired in January 20X6.

Green Print Limited – Group statement of profit or loss for the year ended 31 December 20X5

Continuing operations	£000
Revenue	30,000
Cost of sales	(20,650)
Gross profit	9,350
Operating expenses	(6,725)
Profit from operations	2,625
Finance costs	(425)
Profit before tax	2,200
Tax	(408)
Profit for the period from continuing operations	1,792

**Green Print Limited – Statement of financial position
as at 31 December 20X5**

	£000
ASSETS	
Non-current assets	
Property and equipment	9,360
	<u>9,360</u>
Current assets	
Inventories	885
Trade receivables	5,150
Cash and cash equivalents	385
	<u>6,420</u>
Total assets	<u><u>15,780</u></u>
EQUITY AND LIABILITIES	
Equity	
Ordinary share capital (£1 shares)	400
Share premium	865
Retained earnings	3,035
Total equity	<u>4,300</u>
Non-current liabilities	
Bank loans	7,200
	<u>7,200</u>
Current liabilities	
Trade payables	2,825
Bank overdraft	1,250
Tax liabilities	205
	<u>4,280</u>
Total liabilities	<u>11,480</u>
Total equity and liabilities	<u><u>15,780</u></u>