

PREPARE A RECOGNIZED (UNDER IFRS) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2015. SHOWING ALL YOUR WORKING

Consolidated statement of financial position

As 31 December 2015

Particulars	2015 £000s	2014 £000s
Assets		
Goodwill	120	150
Property, plant and equipment at cost	4,324	4,818
Investment property	2,500	2,500
Dividends	100	190
Trade Receivables	1,900	1,200
Cash and cash equivalents	230	160
Assets of operations classified as held for sale	1,180	2,100
Total assets	10,354	11,118
Equity		
Share Capital	1,500	1,250
Retained earnings	2,910	2,250
Equity attributable to shareholders of Aviva plc	4,410	3,500
Non-controlling interests	730	630
Total equity	5,140	4,130
Liabilities		
Long Term Debt	2,300	2,800
Interest on long term debt	230	280
Accumulated Depreciation on property plant and Equipment	1,450	1,060
Provisions	200	115
Dividends Payable	100	190
Warranty Provisions	401	391
Environment restoration Provision	280	260
Trade Payables	250	1,890
Accrued Expenses	3	2
Total liabilities	5,214	6,988
Total equity and liabilities	10,354	11,118

EXPLAIN THE PURPOSE AND OPERATION OF THE REMUNERATION COMMITTEE IN ENSURING GOOD CORPORATE GOVERNANCE IN LISTED COMPANIES

The purpose of remuneration committee is to ensure that the strategic aims of the company and the remuneration arrangements go hand in hand and support the whole human resource management of top level executives while complying with the regulatory environment.

With unfair remuneration and irresponsible acts of top management of companies in several sectors, the formation of remuneration committee became a necessity from regulatory point of view. Thus a remuneration committee by maintaining the proper level of remuneration to motivate the top level management of the quality necessary to run it effectively.

EXPLAIN HOW PERFORMANCE EVALUATION CAN RESULT IN CHANGES IN PERFORMANCE AND IDENTIFY TWO (2) POSSIBLE NEGATIVE CONSEQUENCES OF PERFORMANCE EVALUATION

Performance evaluation are done to measure the contribution of individual employee to the company, and assist in the appraisal process to both the employer and the employee. It helps to achieve higher quantum of work while maintaining the quality by motivating the workforce, ensuring accountability of tasks handled, promoting growth and individual development, and inspiring the employees by acknowledging their contribution to the workforce.

Two possible negative consequences of performance evaluation are:

- Tension among the workforce due to rating bias in the performance evaluation process
- Employees falling victim to report card syndrome due to poor communication during the performance evaluation process which leads to higher attrition

EXPLAIN WITH AN EXAMPLE, VALUE CHAIN ANALYSIS AND HOW THIS CAN HELP GAIN A COMPETITIVE ADVANTAGE

Value chain analysis helps an organization to understand the economic principle of advantage and how they can apply to gain competitive advantage. It helps the company to comprehend in which particular point is it good at in the whole value chain so that it could specialize in them and provide the greatest competitive advantage. For example, Walmart used it value chain analysis and used information to reduce inventory and became the biggest name in the low price domain.

MACRAE MANUFACTURING

CALCULATE THE LABOUR VARIANCES FROM THIS DATA

Labor rate variance shall be calculated as follows:

Actual Hours = 27000 hours

Actual Cost = £30,000

Actual Rate = $30000/27000 = £ 1.11$ per hour

Standard Cost of actual hours = Actual Hours x Standard Rate

$$= 27000 \text{ hours} \times \text{£} 1.40 \text{ per hour} = \text{£} 37800$$

Labor Variance = Actual Cost - Standard Cost of the Actual Hours

$$= \text{£}30000 - \text{£}37800$$

$$= \text{£}7,800 \text{ Adverse}$$

SUGGEST 3 CAUSES OF THE LABOUR VARIANCES IDENTIFIED

3 causes of the adverse labour variances identified are:

- Poor Estimation
- Price increase over time
- Unforeseen complexities and inadequate delegation

CALCULATE (SHOWING YOUR WORKINGS) THE MATERIAL VARIANCES FROM THIS DATA

Direct Material Usage Variance:

$$= \text{Actual Quantity} \times \text{Standard Price} - \text{Standard Quantity} \times \text{Standard Price}$$

$$= 7 \times 10000 \times \text{£}4 - 5 \times 10000 \times \text{£}4$$

$$= \text{Standard Cost of Actual Quantity} - \text{Standard Cost of Standard Quantity}$$

$$= \text{£} 280,000 - \text{£} 200,000$$

$$= \text{£} 80,000$$

SUGGEST 3 REASONS FOR THE VARIANCES IDENTIFIED

3 causes of the material variances identified are:

- Upfront Standards
- Inferior Materials
- Workers and Equipment

EXPLAIN REFERRING TO 3 METHODS HOW MACRAE MANUFACTURING MIGHT CALCULATE THE STANDARD COST OF THE PRODUCT

To calculate the standard cost of the product, MACrae Manufacturing needs to follow the following steps:

- Compute the cost of direct materials, direct labor, and overhead per unit
- Multiply the direct materials standard price by the direct materials standard quantity
- Like the above where you get the direct material standard cost, calculate direct labour and overhead cost and add them to get the standard cost of the product.

BENCHMARKING MAY BE USED TO ESTABLISH TARGETS WHICH WILL PROVIDE COMPETITIVE ADVANTAGE. IDENTIFY THE MAIN STAGES OF A BENCHMARKING EXERCISE.

The main stages of benchmarking exercise are given below:

1. Recognize the company's existing process performance gaps
2. Acquire support and consent from the managerial leadership team
3. Document objectives and scope of benchmarking
4. Document the existing process
5. Decide and document on the principal metrics
6. Decide on the process to benchmark.
7. Create a data collection plan
8. Detect research sources
9. Initiate data gathering process
10. Design a screening survey and complete benchmarking activity

WHAT IS THE MAIN PURPOSE OF NON-FINANCIAL PERFORMANCE MEASURES? PROVIDE EXAMPLES OF WHAT THEY SHOULD COVER?

A performance measure which is quantitative in nature but not reported in monetary units is called as non-financial performance measure. These measures also indicate how the company is doing in its business, but are not always related to financial performance. For Example, a customer satisfaction index helps the company to know customers perspective about its offerings and helps it to benchmark its performance against competitors. These performance measures should cover areas like the quality of offerings, number of offerings, market share of the company etc.

EXPLAIN WHAT IS MEANT BY CASH EQUIVALENTS AND PROVIDE TWO(2) EXAMPLES?

The assets which are current in nature (except inventory) i.e. which can be easily liquidate to get cash are called cash equivalents. Two example of cash equivalents are:

- Commercial paper
- Short-term government bonds

EXPLAIN THE TWO (2) METHODS AND LAYOUTS FOR REPORTING CASH FLOWS ALLOWED UNDER IAS?

The two methods and layout allowed under IAS for reporting cash flows are explained below:

- Direct Method – This method majorly shows the gross amount of receipts and payment in its operating activities.
- Indirect method – This method shows the net income on accrual basis and then account for the effect of all the transaction which are non-cash based.

EXPLAIN THE TERM CAPITAL INVESTMENT APPRAISAL AND THE THREE (3) ASSUMPTIONS MADE IN ITS APPLICATION

Also known as the capital budgeting, capital investment appraisal is a process which primarily assist in assessing the investment proposal in hand and determining the feasibility of the project. Three assumptions made in application of capital investment appraisal are given below:

- Capital is scarce and not readily available
- Projects available are mutually exhaustive
- The process can help to provide optimal return on investment

WHY IS IT NECESSARY TO CARRY OUT A CAPITAL INVESTMENT APPRAISAL?

It is necessary to carry our capital investment appraisal so that the best results can be achieved in case several projects are being evaluated.

EXPLAIN WITH THE AID OF AN EXAMPLE WHAT IS MEANT BY THE “TIME VALUE OF MONEY”

The concept of time value of money explores relevant value of future cash flows based on a financial decision taken after taking into account the opportunity cost. For example \$100 today is not the worth of \$ 100 tomorrow due to the economic phenomenon of inflation. The interest offered by bank is also to mitigate the effect of time value of money on an amount.



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