

## AF4S31 Assessment 1 (V2) Brief

This assignment will be marked out of **100%**

This assignment contributes to **50%** of the total module marks.

The assessments are bonded which means you need 40%+ over both assessments combined to pass the module.

### Learning Outcomes to be assessed

As specified in the validated module descriptor available at:

<https://icis.southwales.ac.uk/studentmodules/10122/studentmodulespecifications>

#### Learning outcome 1

The ability of students to critically assess, apply and evaluate the issues and techniques of strategic financial management.

### Grading Criteria

Please see School's marking criteria for undergraduate/post graduate assessments on the module VLE. Any additional grading/marking guidance will be posted with assessment task below.

### Assignment

You have recently attended a workshop aimed at improving your understanding of company Annual Reports using Tesco's report as an example.

During the workshop you looked at the following sections of Tesco's annual report:

- The Strategic Report including the Environmental and Social Review,
- The Corporate Governance Report and,
- The Group Statements of: 'Income' (also sometimes referred to as the Statement of Profit and Loss) 'Balance Sheet' and 'Cash-Flows'.

You learned about how different 'stakeholders' may use the information contained in these reports and financial statements. You also learned about financial ratios and how these can be used to interpret and assess the performance of a business in terms of its profitability, liquidity, efficiency and return to investors.

The timing of the workshop was very fortuitous. You are the Purchasing Manager for the business you work for. You are in the process of letting a contract for the supply of an important component used in your business's production. You have been provided with the financial statements of Benedict Co. who are one of a few companies tendering for the contract. The income statement and statement of financial position have been reproduced below.

As well as reviewing the financial statements of Benedict Co. from a potential customer perspective, you are interested in how the company may be viewed by potential investors, lenders and suppliers.

You have also collected the following information about other companies operating in the same sector as Benedict Co.:

Current ratio	1.6	Quick ratio	1.0
Trade receivable days	55 days	Inventory days	60 days
Trade payable days	90 days		

**Statement of income for Benedict Co. for the year to 31 January**

	<b>20X1</b>	<b>20X0</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Sales</i>	30,800	24,900
<i>Cost of sales</i>	<u>16,000</u>	<u>14,500</u>
<i>Gross profit</i>	<u>14,800</u>	<u>10,400</u>
<i>Admin expenses</i>	1,700	400
<i>Distribution costs</i>	3,500	800
<i>Finance costs</i>	<u>1,300</u>	<u>500</u>
<i>Profit before taxation</i>	<u>8,300</u>	<u>8,700</u>
<i>TAXATION</i>	<u>1,700</u>	<u>1,700</u>
<i>Profit after taxation</i>	<u>6,600</u>	<u>7,000</u>

**Statement of financial position for Benedict Co. as at 31 January 20X1**

	<b>20X1</b>		<b>20X0</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		38,000		32,600
<i>Current assets</i>				
<i>Inventory</i>	5,200		2,600	
<i>Trade receivables</i>	<u>7,600</u>		<u>3,800</u>	
		<u>12,800</u>		<u>6,400</u>
<i>Total assets</i>		<u>50,800</u>		<u>39,000</u>
<i>Capital and reserves</i>				
<i>Share capital</i>		18,000		18,000
<i>Reserves</i>		<u>10,000</u>		<u>7,900</u>
		28,000		25,900
<i>Non-current liabilities</i>				
<i>6% bonds</i>		12,000		8,000
<i>Current liabilities</i>				
<i>Trade payables</i>	6,800		4,300	
<i>Overdraft</i>	<u>4,000</u>		<u>800</u>	
		<u>10,800</u>		<u>5,100</u>
		50,800		39,000

Dividends of \$4.5 million were paid in 20X1 and \$3.6 million in 20X0. Shares in Benedict Co. had a market value of \$5.60 at 31 January 20X1 compared to \$3.60 in 20X0. Benedict Co. has issued 18 million \$1 shares.

**Required:**

Prepare a report for your manager which:

- 1) Using the Annual Report of Tesco available at the following link:

<https://www.tescopl.com/media/264194/annual-report-2016.pdf>

- a) Explains the term 'stakeholder' and identifies three types of stakeholder of Tesco. 15%

- b) Analyses how the Environmental and Social Review and the Corporate Governance Report help Tesco demonstrate its performance in terms of its corporate and social responsibilities to two of the stakeholders identified in a) above.

35%

- 2) Analyses and evaluates the financial position of Benedict Co. using a range of financial ratios to meet the requirements of potential customers, investors, lenders and suppliers. Your analysis should:

- a) Explain the purpose and relevance of the chosen ratios.
- b) Include the results for each chosen ratio and reasons for the movement between the two years.
- c) Highlight any aspects of the performance of Benedict Co. which would give cause for concern.
- d) Critically evaluate the application of financial ratios in interpreting and measuring the performance of a company.

All calculations should be shown in full as an appendix to the report. 40%

Marks are available for the presentation of your report including structure, style and the presentation of referencing. 10%

**Total 100%**

## Grading Criteria

Section	Weighting	Criteria
(1) Using the AR of Tesco:  a) explain 'Stakeholder' and identify three of Tesco's stakeholders  b) analyse the 'Environmental and Social Review and Corporate Governance Report' how this demonstrates CSR to 2 stakeholders  (2) Financial analysis and interpretation	15%    35%    40%	Demonstrate: <ul style="list-style-type: none"><li>• Relevant practical, academic and subject specific skills</li><li>• Knowledge understanding and appreciation of issues involved.</li><li>• Ability to research and provide practical and relevant points</li><li>• Clear communication, explanation evaluation and discussion of aspects being covered</li></ul>
Report Structure and presentation	10%	<ul style="list-style-type: none"><li>• Clarity of layout, grammar, presentation and inclusion of all relevant matters</li><li>• Tone and use of professional language i.e. suitable for addressee of report</li><li>• Accuracy of referencing, and appropriate use of appendices</li></ul>

## Assessment guidance

Your report should be word processed, clearly laid out and concise and should be supported by appropriate workings for the numerical elements. The word limit for the report is 3,000 words.

The text of this assignment **must be in your own words** (not even a sentence or phrase should be taken from another source unless this source is referenced and the phrase placed in quotes). It is dishonest not to acknowledge the work of other people and you open yourself up to the accusation of plagiarism. Referencing should be in accordance with the Harvard System. A guide published by the Library lists the most common types of references with examples. The guide can be found on the module VLE

## Hand-in requirements and dates:

**Please see the VLE**

**PLEASE NOTE THAT IF YOU ARE EVEN ONE MINUTE LATE UPLOADING YOUR FILE THIS WILL COUNT AS A LATE SUBMISSION AND THE APPROPRIATE PENALTY WILL APPLY.**