

For: ATHE Level 7 Diploma in Strategic Management ATHE Level 7 Extended Diploma in Strategic Management

Unit 2 Finance for Strategic Managers Assignment

Assignment Scenario

Pietro Yon, a local businessman, owns and manages several retail stores that sell a range of electronic goods.

Pietro is a member of the local business Chamber of Commerce and has been asked to chair a committee to research and study the success of Samsung Electronics Co. Ltd. The Chamber believes that there may be some useful learning from this study which members of the Chamber could use. You have been asked to provide specialist support to the committee, including producing a range of materials for members of the committee to use.

You have been provided with the following link to view Samsung Electronics Co. Ltd annual reports and investor information.

<https://www.samsung.com/global/ir/financial-information/audited-financial-statements/>

Task 1

You must produce a presentation for Pietro Yon to use at the next committee meeting. The presentation should be based on your research of Samsung Electronics Co. Ltd. and other relevant information. It must be accompanied by supporting notes.

Your presentation must include the following:

- An evaluation of the sources of financial data which can be used to inform business strategy
- An assessment of the importance of financial data and information in the formulation of business strategy
- An analysis of the risks related to financially based business decisions.
- A review of techniques that can be used to appraise strategic capital expenditure projects

Learning outcomes and assessment criteria

LO1 AC 1.1, 1.2, 1.3

LO3 AC 3.1

Task 2

A meeting has been arranged with Pietro Yon and other members of the committee and you have been asked to produce a discussion paper which provides:

- An interpretation of the financial statements of Samsung Electronics Co. Ltd. to assess the current viability of the organisation

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- A comparative analysis of financial data using ratio analysis for Samsung Electronics Co. Ltd. You are advised to download consecutive year's accounts from the Samsung Electronics Co. Ltd. website

Extension activities

To achieve a **Merit**, you must:

- Add further sections to your discussion paper that makes recommendations to Samsung Electronics Co. Ltd. based on your analysis and interpretation of the financial position
- Produce an information leaflet for the Chamber of Commerce to distribute to the members. The leaflet should assess the following:
 - The limitations of ratio analysis as a tool for strategic decision making.
 - The importance of cash flow management when evaluating proposals for capital expenditure

To achieve a **Distinction**, you must prepare an additional section for the leaflet that recommends methods and tools that allow businesses to analyse financial data for strategic decision-making.

Learning outcomes and assessment criteria

LO2 AC 2.1, 2.2, 2M1, 2M2, 2D1

LO3 3M1

Task 3

Pietro Yon has been supplied with information from a component manufacturer who has asked for advice on the best project to accept for the purchase / replacement of a piece of machinery.

The company is considering selling its old machine that has a capital cost of £260 000 and replacing it with an up-to-date model costing £220 000. For immediate purchase, the company will receive £120 000 part exchange allowance.

Both the current and new machines can meet the expected company demand, estimated at:

Year	Units
1	90 000
2	50 000
3	30 000

After three years, it is predicted that demand will be zero due to the technological developments in the industry.



The following data has been provided for the existing and new machine:

	Current Machine £ per unit	New Machine £ per unit
Direct Materials	1.80	1.80
Direct Labour	0.75	0.60
Variable Overheads	0.45	0.30
Depreciation	0.35	0.55

Additional information

- (1) The selling price for each component is £5.00 and this will remain constant for the next three years.
- (2) The company expects the cost of direct materials and direct labour to increase by 5% each year.
- (3) The company predicts that repair and maintenance costs for the current machine will be £7000 per annum.
- (4) The current machine is expected to have a zero-residual value at the end of year 3.
- (5) The company predicts that repair and maintenance costs for the new machine will be £1000 per annum.
- (6) The new machine is expected to have a £75 000 residual value at the end of year 3.

The company's cost of capital is 15%

Extract from the present value table for £1 at 15%

Year	Units
1	0.870
2	0.756
3	0.658
4	0.572

Pietro would like you to produce a business report that can be given to the company offering advice on the best course of action for the purchase / replacement machine. You must:

- Prepare a report that evaluates the capital expenditure proposals using appropriate financial techniques

Extension activities

To achieve a **Distinction**, you must include an assessment of the impact of the capital expenditure proposal on the strategic direction of the organisation in your business report.

Learning outcomes and assessment criteria

LO3 AC 3.2, 3D1

Note: When citing sources of information that you have used, provide a reference using an appropriate format, e.g., Harvard.

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Guidelines for assessors

The assignments submitted by learners must achieve the learning outcomes and meet the standards specified by the assessment criteria for the unit. To achieve a merit or distinction grade, the learners must demonstrate that they have achieved all the criteria set for these grades. Where work for the pass standard is marginal, assessors can take account of any extension work completed by the learners. The suggested evidence listed below is how learners can demonstrate that they have met the required standards. The command verbs contained within the AC are highlighted in bold in the suggested evidence boxes.

Task number	LOs and AC	Suggested evidence PASS	Suggested additional evidence MERIT	Suggested additional evidence DISTINCTION
1.	LO1 AC 1.1, 1.2, 1.3 LO3 AC 3.1	<p>AC1.1 The learner will provide an evaluation of the sources of financial data which can be used to inform business strategy.</p> <p>AC1.2 The learner should provide an assessment of the need for financial data and information in relation to business strategy.</p> <p>The assessment and evaluation should be balanced leading to conclusions. The learner should use appropriate examples to illustrate the points which are made, and this will help to demonstrate their understanding.</p> <p>AC1.3 The learner will continue with an analysis of the risks related to financial business decisions. The analysis should be detailed and comprehensive.</p> <p>AC3.1 The learner should review techniques that can be used to appraise strategic capital expenditure projects giving examples of how these can work in practice.</p>		

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2.	<p>LO2 AC 2.1, 2.2 2M1, 2M2, 2D1</p> <p>LO3 3M1</p>	<p>AC2.1 The learner is required to download 2 or 3 consecutive years' accounts for Samsung Electronics Co. Ltd. using the link provided in the assignment. The learner will carefully interpret the financial statements.</p> <p>AC2.2 The learner must make an assessment and judgements on current viability of the business and prepare a comparative analysis of financial data using ratio analysis.</p>	<p>2M1 The learner will make appropriate financial recommendations. The recommendations must be directly linked to the detailed analysis and must be relevant to the organisation. The learner should use appropriate examples to demonstrate their understanding of the importance of accurate financial data in formulating and delivering business strategy.</p> <p>2M2 The learner will assess the limitations of ratio analysis as a tool for strategic decision making leading to balanced judgements.</p> <p>3M1 There must be full and clear assessment of the importance of cash flow management when evaluating proposals for capital expenditure. Appropriate examples will aid the learner in demonstrating the points which are made.</p>	<p>2D1 The learner must recommend methods and tools that allow businesses to analyse financial data for strategic decision-making. They must assess and justify each of the methods and tools recommended. Appropriate examples of the methods and tools used by public and private sector organisations should illustrate the answer.</p>
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3.	LO3 AC 3.2, 3D1	AC3.2 Using the data provided in the case study, the learner is required to evaluate the business proposals for capital expenditure identifying benefits and issues and reaching conclusions. The learner must use appropriate financial techniques including payback, accounting rate of return, net present value and internal rate of return.		3D1 The learner is required to provide an assessment , with appropriate justifications of the impact of a capital expenditure proposal on the strategic direction of a business organisation. The learner should use the information in the case study and any other appropriate theory and research.
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