

Accounting for Management M 5011

SP5 2022

Problem solving assignment

Learning Objectives addressed in this assessment:

CO1: Apply basic accounting principles and concepts in order to understand what accounting information is, what it means and how it is used;

CO2: Explain the significance of accounting information in the business environment;

CO3: Read and interpret financial reports and apply knowledge to critically analyse corporate financial and non-financial information.

Graduate Qualities developed by this assessment:

GQ1: You need to operate effectively upon fundamental accounting practical knowledge;

GQ2: You are prepared for lifelong learning and professional practice;

GQ3: You are working to be an effective business related problem solver;

GQ4: You can work autonomously and independently;

GQ5: You are committed to ethical action & social responsibility for business activities.

GQ6: You can communicate effectively in written language.

This assessment involves two parts: 1) a written business consultation report; 2) an oral presentation of your consultation report to *Company A*. Your total marks for this assessment will be based on the successful completion of **both** tasks.

This assessment can be completed **individually** or in a group of no more than **two students** (These two students must enrol in the same class so as to complete the oral task together).

Context:

You have recently joined Business Smart, a finance and business consultation firm. Your manager Mr. James Brown will be taking family leave. He has asked you to prepare a consultation report for an important client, *Company A*, before he returns on 30 September 2022.

Company A is a mining and resource company. It recently announced the appointment of a new Chief Executive Officer (CEO) - Ms Alice Lee. Alice reviewed the recent annual report and raised some concerns on both financial and non-financial performance of the company. To obtain a fuller picture of the company's financial health, Alice decided to conduct a comprehensive investigation and analysis on the company's financial performance and risk in the past **three** years. In particular, this review aims to provide a better understanding of how *Company A*'s financial performance is benchmarked against other rivals with similar profiles in the mining and materials industry sector. *Company A* considers this analysis very important and timely in assisting the new CEO to set out new plans for its future performance development.

In addition, Alice noticed that *Company A* has recently gone through increasing public scrutiny on its non-financial, especially sustainability, performance because of its high climate risk and energy consumption. Investors and shareholders constantly query the company's social and environmental related impacts and the potential financial implications associated with these impacts. As a response, several board members proposed to increase and improve the company's reporting on sustainability performance at recent board meetings. However, a few board members disagreed because they were concerned about the risk associated with the negative impact of providing such reporting. Given the economic downturn and the unprecedented financial challenges caused by the Pandemic, they argued that the company should focus on the main business areas and regaining profit growth in this difficult time. The issue is pending for Alice to resolve.

Required:

1. Write a consultation report for *Company A*

(1) Choose **two** companies from the list of *Selected ASX Listed Companies*, which is provided as a separate file under Assignment on the course website. One company will be *Company A* and the other will be used as a benchmark for analysis against *Company A*.

a) The name of the company selected as *Company A* should begin with the same letter of the alphabet as your first name (or your fellow student's first name should you do the assignment in pairs), e.g. if your first name is Alpha, you can use *Aurora Energy Metals Ltd* or *Aruma Resources Ltd*.

b) The name of the company selected as the *benchmarking company* should begin with the same letter of the alphabet as your surname (or your fellow student's surname should you do the assignment in pairs), e.g. if your surname is Beta, you can use *Battery Minerals Ltd* or *Bowen Coking Coal Ltd*.

Additional notes:

a) If you cannot find an appropriate company when following the above selection rules, you may randomly select a company from the list. However, you need to clearly state the reason for the selection you make in your assignment.

b) Please be aware that some companies listed are mining explorers or developers which do not generate revenue or profit for years. These companies may have significant missing data, and thus should be avoided in your selection.

(2) After selecting the companies, go to the company information database *DataAnalysis Premium* via the UniSA Library website. Under *Company Reports*, search for the companies you selected according to their ASX Codes or part of the companies' names. Next, go to *Financial Data* to review these companies' financial statements for the financial years from 2020 to 2022 (If 2022 data are not available for the companies chosen, you can use data from 2019 to 2021).

(3) Based on the available data, calculate three years' (2020-2022) financial ratios of *Company A* and the *benchmarking company* selected. Based on these ratio results, analyse and compare the financial performance of these two companies. Your calculation and comparative analysis should focus on any **two** of the following four points (provide an explanation on why you choose these two):

- a) Which company is more profitable and generates healthier returns?
- b) How well are the two companies managing their resources? Do you think *Company A* is efficient in managing its assets compared with the *benchmarking company*?
- c) Can *Company A* meet its short-term debts? How is its liquidity compared with the *benchmarking company*?
- d) Do you think *Company A* will stay in operation in the long term? How is its long-term financial stability compared with the *benchmarking company*?

Your answer should be supported by sufficient evidence (i.e. financial statement data and/or ratio results) and analysis. You can also review the annual reports of the two companies for the last three years (*Annual Reports* are available to download in *DatAnalysis Premium*), and use the information disclosed in these reports to complement your answers. For example, whether there are issues of concern mentioned in the annual reports that can have an implication on *Company A*'s financial health and risks and how this might influence your comparative results.

(4) Investigate whether the *benchmarking company* produces information about sustainability issues, such as carbon emissions, energy consumption, community contributions, in its annual report or stand-alone sustainability, CSR (corporate social responsibility), or environmental report. Do you think *Company A* should follow what the *benchmarking company* is doing? Do you support the view to increase sustainability or responsibility reporting by *Company A*, or do you think the company should prioritise financial growth and gaining profit growth? Explain your views.

Report format:

- a) Your consultation report must be presented in a clearly *structured format*, including a title page, a short executive summary, an introduction, the main body of text, a conclusion, a reference list, and relevant appendices. The report should contain correct grammar, expression and in-text referencing. Please read the Writing Reports Guide, and Good and Bad Examples of writing ratio analysis on the course Learnonline website before submission.
- b) The word limit for this report is 2400 words (*including all tables, figures, diagrams, references and appendices*). Please show the word count on the cover page.
- c) Please note you are expected to present only the *summary of the ratios* in the main body of the text. Detailed workings and calculations of ratios must be presented in the appendix of this report.
- d) You are required to use the UniSA Harvard Referencing style. The minimum number of references for this report is *four* (*excluding the textbook and reference to annual reports*). The references used must be based on proper scholarly sources (books, book chapters, journal articles, etc.). Internet sources, such as Wikipedia or Investopedia, are not scholarly, and thus deemed to be *unacceptable*. If you are not sure about the referencing style, please read the Referencing guide on the course Learnonline website.

Report submission:

- a) This report must be submitted online. Hard copies are *not* accepted.
- b) This report can be completed *individually* or in a pair of *two* students. If the report is completed by two students, only **one** student needs to make the final submission. This is to avoid a high similarity result in Turnitin if two submissions are identical. The selection of companies can follow any student's name in the team.
- c) Please submit one single Word Document only (any pdf file is *not* acceptable). On the title page, clearly indicate student *name(s)* and *ID(s)*.
- d) You may ask your lecturer/tutor for help while completing this report, but they will only answer general questions and will *not* 'check' your answers. You may only discuss this assignment with other students at a *general or conceptual level*, that is, you may talk about the issues, not the details.
- e) You should not prepare your report together with other students or teams, nor should you compare your final answers with other students or teams. It is *not* acceptable to share files, templates, or electronic versions of assignment questions with other students or teams. To ensure *Academic Integrity*, all submissions will be checked through *Turnitin* databases which include online publications, internet resources and past student submissions.
- f) Remember, your report must be all your own work. If you present material that is not all your own work, you have engaged in *academic dishonesty* which is taken very seriously and dealt with very severely. Please refer to the Academic Integrity section on the Learnonline course website.
- g) Report submission due date: **Friday, 30 September 2022 @ 11am**

2. Present your report to *Company A*

(1) Attend a simulated Board meeting of *Company A* which will occur in class in Week 7 and brief the CEO and the Board of Directors (a role play) your key findings and recommendations from your written report.

- a) The brief should be concise but precise. In **no more than 3 minutes**, you need to summarise what you have done and found for *Company A*, and what main issues you want to raise or what recommendations you want to make to the Board of Directors.
- b) Presentation slides or handouts are not required. If you decide to use them, please keep them as short as possible in order not to divert the Board's attention away from your key points.

(2) Based on your report, the CEO and the Directors may ask you **2-3 questions**, seeking some clarity either on the main points you presented, or on your analysis in the report.

The focus of this Board meeting is on your report to *Company A*. All questions asked will be on the report that you have submitted and nothing outside of this. Therefore, you are expected to thoroughly know your report and be confident in presenting and answering questions about it.

If the report is written individually, you will present and answer all questions during this oral defence process. If the report is completed by a pair of students, you can decide who will do the briefing (either one or two of you can do this). However, each student will be asked questions and therefore needs to prepare for answering questions on your report.

Please read the marking rubrics to understand the criteria used to assess this assignment.