Diploma in Financial Management

PROJECT DA2, INCORPORATING SUBJECT AREAS

- INTERPRETATION OF FINANCIAL STATEMENTS
- PERFORMANCE MANAGEMENT

All questions are compulsory and MUST be answered

The project MUST be written in English.

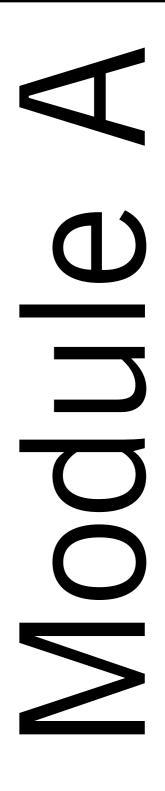
The maximum word count (including appendices and tables but excluding references and bibliography) is 5,000.

The project MUST be TYPED in black ink, one-sided, double-spaced, using a minimum 12-point font size and a 1-inch margin at each side. HANDWRITTEN SUBMISSIONS WILL NOT BE ACCEPTED. The project must be submitted by post, electronic submissions are not acceptable.

The project should be submitted on A4 paper with your student number, project name, date and page number at the top of each page.

A project submission form MUST be completed for each project submitted and attached to the front of the project.

The Association of Chartered Certified Accountants





Introduction

This introduction is relevant to BOTH sections of the project for Module A

You have recently been appointed to the post of Operations Manager with Newflight Ltd. This is a new company established by a consortium of investors with a diverse range of business interests. The company will operate an airline service within Europe. A key attraction of the post is that, while the investors have indicated that they will require a number of key performance targets to be met, they intend to give the management team a high degree of freedom.

Consequently, one of the first tasks of the management team is to investigate the suitability of the proposed business model and to prepare a detailed budget for the first three years of operation.

The investors believe that the 'low cost' model is likely to be effective in the current environment, but have asked you to consider the validity of this belief. They have stated that this should be done by considering the performance of easyJet plc.

The investors have also asked you to consider how the accounting policies and financing methods selected by easyJet plc have influenced reported performance.

As operations manager you are required to lead the management team in carrying out this analysis and to prepare a detailed briefing paper for the investors to consider.

To assist you with the analysis you have been provided with the financial statements of easyJet plc for the year to 30 September 2001 (see Module A Supplement Booklet).

Section 1 - Interpretation of Financial Statements

This ONE question is compulsory and MUST be attempted

- 1 Prepare the relevant sections of the briefing paper in which you should:
 - (a) use the information provided in the published financial statements, to assess the performance of easyJet plc;
 (30 marks)
 - (b) consider how your assessment of the performance of easyJet plc is affected by:
 - the choice of accounting policy (by selecting one accounting policy applied by easyJet plc); and
 - the use of operating leases as a means of financing the acquisition of aircraft.

(20 marks)

(50 marks)

Section 2 - Performance Management

This ONE question is compulsory and MUST be attempted

- 2 Prepare the relevant sections of the briefing paper in which you should:
 - (a) discuss the key decisions which must be taken by the management team of Newflight with regard to planning, budgeting and performance measurement, including:
 - the extent to which decision making is likely to be effective if a model of decentralisation, devolution and empowerment is applied;
 - how the decision regarding the extent of decentralisation will impact on the planning and budgeting system; and
 - key performance targets on which the investors should focus;

(45 marks)

(b) identify possible outsourcing opportunities and indicate how these are likely to contribute to Newflight's success.

(50 marks)

End of Project