

# Module A

## 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**



**Background**

As an appendix to this project you have been provided with the 2002 annual report of Thorntons plc. Both assignments (that is subject area 1, Interpretation of Financial Statements and subject area 2, Performance Management) for this module are based on this annual report.

Whilst you may find it useful to obtain further background information on the company, your assignments are expected to be based mainly on the annual report.

Please note that where the questions refer to the strategy and objectives of the company, this means insofar as the strategy and objectives can be discerned from the annual reports. You are not expected to obtain detailed additional information regarding the company's strategy nor is it necessary for you to contact the company directly.

When completing the assignments, you are to assume that you are a consultant working for InvestAdv, a firm of Investment Advisors. InvestAdv provides services to both investors and companies.

## **Section 1 – Interpretation of Financial Statements**

**This ONE question is compulsory and MUST be attempted**

### **1 Introduction**

In order to complete this assignment you should refer to the 2002 annual report of Thorntons plc.

InvestAdv publish a quarterly magazine for potential investors, and you have been asked to prepare an article for the next edition of the magazine.

The purpose of your article is to consider the extent to which information placed in the public domain via a company's annual report can be used to assess performance.

#### **Required:**

**Prepare an article for the next quarterly edition of the magazine. You have been given the following editorial brief:**

- (a) From the information included in the Annual Reports of Thorntons plc, select six ratios or other measures which could be used to assess the company's success. The measures you have selected should be justified on the basis of the stated strategic objectives of Thorntons plc. (12 marks)**
- (b) Based on the measures you have selected in (a), assess the company's success in achieving the stated strategic objectives. (24 marks)**
- (c) Discuss the limitations of using only published financial information as the basis for an assessment of the company's success. (14 marks)**

**(50 marks)**

## Section 2 – Performance Management

This ONE question is compulsory and MUST be attempted

### 2 Introduction

In order to complete this assignment you should refer to the 2002 Annual Report of Thorntons plc.

It is widely recognised that no single measure of performance can adequately assess the performance of an organisation. This has led to increased use of non-financial performance indicators (NFPIs) and the development of methodologies such as the Balanced Scorecard. Such approaches to Performance Measurement are possible as internal managers have access to a wider range of data and information than is made public through the statutory financial reporting process.

Following your recently published article, you have been invited to make a presentation to the Thorntons management team, outlining how the company could utilise the Balanced Scorecard in order to achieve the overall objective of delivering improved shareholder value.

#### Required:

**Prepare a presentation\* to the management team, which considers the use of the Balanced Scorecard within Thorntons plc. You have been asked to consider the following areas in your presentation:**

- (a) Briefly explain the concept of shareholder value as it relates to Thorntons plc. (6 marks)
- (b) Based on the stated strategic objectives of Thorntons plc, indicate how a balanced scorecard may be used by the company to measure performance. (8 marks)
- (c) Outline a Balanced Scorecard which could be used by the management of Thorntons plc to measure performance. (Your outline should include the specific measures to be reported and these should be justified in terms of the stated strategic objectives.) (28 marks)
- (d) Based on the assumption that Thorntons plc does not currently use a Balanced Scorecard, indicate the main problems which may arise through the introduction of this technique. (8 marks)

\*Your presentation should include relevant visual aids (e.g. OHP or Power Point slides), together with a full draft of your speech.

**(50 marks)**

**End of Project**