

FINAL EXAM IAE ROUEN Master CCA 2016 : 3h

BUDGET CASE STUDY : 10 points

LABELLISSIMO S.p.a. is an innovative and dynamic Italian SME that has developed a machine for putting adhesive labels on wine bottles. This company is planning to **sell 29 machines next year** ie 2,417 units in average per month ($2 + 0.417$ units)

An examination of the sales of previous years has shown that they depend very much on the season, which is shown by the practically constant monthly seasonality coefficients. The calculation of these coefficients over the three years of the branch's operating results give the following average coefficients:

January	Feb.	March	April	May	June	July	August	Sept.	October	Nov.	Dec.
0.42	0.42	0.42	0.42	0.42	0.82	1.64	2.07	2.07	1.24	1.24	0.82

For the fiscal year N, the main data relating to operations are as follows:

- a) The company currently employs eight people, with the following annual salary costs always including **60% of net remuneration and 40% payroll taxes**:
 - 1 director: € 80,000 (that is 48,000 salary and 32,000 payroll taxes)
 - 2 office employees, who carry out the various administrative, accounting and secretarial tasks: $2 \times € 30,000 = € 60,000$ $\rightarrow 36000$ 24000
 - 3 technicians, who assemble and carry out the maintenance: $3 \times € 40,000 = € 120,000$ 72000 48000
 - 2 sales representatives, with a salesperson status, paid partly by a fixed amount (€ 20,000 per person), and partly by a **commission of 5% of the turnover not including tax** (3% of pay and 2% charges) $12000 + 8000$ Pay
- b) The current annual turnover is €1,600,000 for 25 machines sold. Each machine is invoiced at €40,000 by the Italian parent company. $\hookrightarrow 64000/machine$
- c) The **other marketing costs** (essentially for logistics) are proportional to the sales volume and amount to € 40,000.
- d) The **other miscellaneous charges**, considered as **fixed ones**, are € 30,000 in total and include € 18,000 of depreciation expenses as well as € 600 economic interest.

The **marketing expenses** (advertising inserts in specialised journals and participation in trade fairs), considered as fixed ones, represent an annual budget of € 150,000

Here is the planned income statement for N+1:

	29 mach.)	
	Per Unit	Total
Turnover	64 000	1 856 000
-purchases	40 000	1 160 000
-commissions	3 200	92 800
-other.variable ch	1 600	46 400
Total variable ch	44 800	1 299 200
Contribution	19 200	556 800
-salaries		300 000
-admin. Of sales		30 000
-marketing		150 000
Total fixed charges		480 000
Profit		76 800
Profitability rate		4,14%

Question :

Present the monthly income statement budget for the branch for the first 6 months of year N+1 (rounding the sales volumes to the nearest whole number and considering that all the fixed costs can be spread out equally over the 12 months). 3 points

You know from experience that the weak sales at the beginning of the year often pose problems from a financial point of view. Consequently, you would like to make some financial forecasts for the first semester. The accounts department has given you an opening balance sheet forecast for 1/1/N+1 accompanied by a certain amount of supplementary information.

Balance sheet forecast for 1/1/N+1

ASSETS		LIABILITIES	
Net fixed assets	40,000	Capital	50,000
		Reserves	20,000
Customers	153,600	Loan	17,300
		Debts as regards the parent company for the purchase of machines	96,000
Bank	9360	Social security organisations, etc.	12,560
		the State, VAT to be paid	7,100
	202,960		202,960

in Jan,

Supplementary information concerning the balance sheet forecast:

- The customers' outstanding debts should be paid in January N+1 → 153 600
 - The loan results in monthly reimbursements of €500. To simplify things we will consider that these monthly plans always include €450 of capital reimbursement and €50 interest (N.B.: The interest is part of what we have called "other miscellaneous charges" in the 1st part.)
- The debts as regards the parent company, the social organisations and the State will have to be paid in January N+1.

Information concerning the fiscal year N+1

- Customers pay in 30 days *or 1 month delay*
- The payroll taxes are paid to the social organisations the month after they have been incurred. *1 month delay*
- We will consider, to simplify things, that the VAT rate is 20% of the amounts not including tax and that all the charges are subject to it apart from the personnel costs, the depreciation expenses and the economic interest.

Question: Calculate a monthly CASH budget for the first semester only of N+1.

Cash collection budget: 2 points; VAT budget: 2 points; Cash disbursement budget: 2 points

Cash budget computation: 1 point

Scorecards : 10 points

Brittany Housing is a housing office managing a 4,000 apartments park in the Rennes area. It is in charge of construction, rehabilitation, maintenance and rental of social housing for the entire city and enjoys considerable autonomy in its management choices.

A new strategy is emerging after having operated the business under a technology culture on the one hand and on the other administrative culture.

Indeed, the lack of coordination between the two business areas and the willingness of local communities to create competition among agencies, bring the leaders of this organization to seek more cross-functional processes to better satisfy meet the tenants (people renting the flats) as well as elected people.

The strategic objectives that have been set by the Steering Committee under the described context are:

• **Responding to local market needs:**

- o by volume,
- o technical and architectural quality and
- o in terms of cost of rent

• **Improve the quality of life of residents:** Housing environment and community life in the building

• **Balance the management accounts**

• **Improve the level of service to tenants**

• The company can count on its staff will be trained in techniques that will boost results regarding the speed of relocation.

The volume and cost of housing offered depend mainly of the investment process and construction. Quality of life in terms of environment is partly a result of the maintenance performance of buildings and especially the actions taken by local authorities to improve the urban environment.

The most contributory process to strategic objectives is the process of location / relocation of housing as described below:



Indeed, the upgrading of the housing when the tenant change meets the requirement of technical market quality.

The choice of tenants suitable for the type of residence ensures the good quality of community life. The cost of refurbishment and relenting time contribute significantly to the balance of accounts.

The quality of service depends on the perceived relationship with the new tenant

Question 1: From this information, establish the strategic map for BRITANNY HOUSING (5 points)

Question 2: Given the major challenges of performance, imagine, for the process of location / relocation, the performance and leading indicators to include in the scorecard (5 points)

Additional data is provided:

The executive committee of this organization commissioned an audit of the performance which highlighted the following causes:

- No formal procedure for receipt of work (defined and applied)
- little training in business skills Managers
- No incentive for rapid relocation
- Complicated administrative process and documents for incoming tenants
- Lack of information on their tenants obligations