

Level 4 - Professional Diploma Synoptic Assessment (PDSY)

Pre-release material for sample assessments

Version date: 30 August 2016

Changes from the previous version of this document are [shown in blue](#)

Instructions to candidates

This material is designed to contextualise the tasks you will receive in your sample assessments.

This document has been made available to you ahead of your assessment. Studying this material will encourage you to think about the assessment topics in an integrated way, which is necessary for performing well in the synoptic assessment.

You will not be able to take a copy of this document into the assessment with you. However, you will have access to this material through pop-up windows in the assessment.

Please note: This pre-release material relates to the sample assessments only. All live assessments will be based on a single piece of pre-release material. The pre-release scenario will be based on a different company.

Company background and history

SL Products Ltd (SLP) is a market-leading manufacturing business supplying advanced technological electronics to a number of companies around the world.

The company operates through a manufacturing division and a sales division. The manufacturing division supplies electronics to the sales division, which sells both its own manufactured products and other complementary products that it buys in from third parties.

SLP has its head office on an industrial estate in Manchester, where its management team and accounts department are both based. Its main manufacturing plant is also on this site, as is the sales division's offices and large central warehouse.

SLP was established 10 years ago by three of its four **founding** shareholders, Shaun Murphy, Colin Smith and Cynthia Moss. Six years ago they sold most of their shareholding in the business, and now do not have a controlling interest.

Louise Harding was brought into the company and joined the board as Finance Director just over 18 months ago when the other directors and main shareholders realised the company's urgent need to have more high-level professional accounting expertise.

Over the past 10 years, the company has grown rapidly and in the year ended 31 December 20X1 it had a turnover of £20 million. It also now employs around 400 full-time equivalent employees. However, profits from operations have fallen in recent years.

In an attempt to improve profitability, SLP has recently acquired a controlling interest in Merville Ltd, a small manufacturing business that offers unique, patented products that are complementary to those manufactured by SLP. Merville Ltd has prepared initial accounts for its first year of trading under the control of SLP. A management bonus is linked to these results but it has not yet been authorised for payment by SLP's remuneration committee.

SLP's mission statement

We aim to be a market-focused business that specialises in the research, manufacture and distribution of passive electronic components.

Our priority is providing great service and a product range at the cutting-edge of technology. We offer our customers cost-effective products of the highest quality.

We aim to develop long-term relationships with all our stakeholders and deal with suppliers, customers and our staff with the highest levels of integrity.

Developments in the electronics market

During the past few years, the company has been feeling the effects of a recession. Intense competition from overseas manufacturers, made worse by the strength of the pound, has led to a progressive lowering of market prices within the areas in which SLP operates.

It is also becoming increasingly difficult for small companies like SLP to compete with the research and development (R&D) budgets available to larger businesses. As the pace of technological change in electronics has accelerated, the company's product range has gradually lost the lead it once had in cutting-edge technology.

The directors have now reluctantly decided that they may be forced to downsize some parts of the business that they spent the past 10 years building up. On the other hand, as they are unable to outspend their bigger competitors on R&D, they are looking to acquire stakes in companies like Merville Ltd to fill the resulting gaps in their product range.

SLP's strategic planning and control

When Louise Harding joined SLP, she suggested that they need to view the business from different perspectives rather than just focus on its financial results. The directors and the controlling shareholders agreed to develop measures, collect data and judge the company's performance relative to each of these perspectives. These measures have now been in place for a full year and have just been reviewed.

Perspective 1

The first perspective involves employee training and having corporate cultural attitudes that relate to both individual and corporate self-improvement. In an organisation, such as SLP, that relies on problem solving and creative thinking, its people are an important resource. In a market characterised by rapid technological change, it is necessary for staff to be in a continuous learning mode.

Measures were put into place to focus training and development funds where they could help the most.

This perspective, which recognises that "learning" is more than "training"; also considers aspects like the effectiveness of mentoring within the organisation, as well as the ease of communication among workers that allows them to get help with a problem easily, when needed.

In general, the first year's results show that the company has performed well in relation to this perspective.

Perspective 2

The second perspective refers to internal business processes. Measures based on this perspective allow the directors to see how well their business is running, and whether its products and services conform to customer requirements (as per its mission statement).

Those who know these processes most intimately, namely the various line managers within SLP, carefully designed these measures.

In general, the first year's results show that the company has performed poorly in relation to this perspective. This is because the business is gradually losing its technological lead in several of its products.

Perspective 3

The third perspective relates to how SLP's customers view the business. Cynthia Moss has stressed the importance of customer focus and customer satisfaction. She has emphasised that these are leading indicators; if customers are not satisfied, they will eventually find other suppliers that will meet their needs better. Poor performance on this perspective is therefore a key indicator of future decline, even though the current financial results may still look reasonable.

In order to develop measures for customer satisfaction, SLP examined its customers both in terms of the kinds of customers they are, and the kinds of products that they are buying from SLP.

The first year's results indicate that customers were generally satisfied with the customer care and service, but were less satisfied with some of the older products in the product range that were overdue for replacement.

Interestingly, customers were generally more satisfied with the bought-in products being sold by the sales division than those manufactured in-house by SLP itself. There was considerable interest in the new products manufactured by Merville Ltd.

Perspective 4

The fourth and final perspective is the traditional outlook using financial data. Louise Harding instigated the use of more accurate and timely monthly management accounts immediately after she was appointed. She argued that the previous focus on only financial data had led to an "unbalanced" situation with no attention having been paid to the real drivers of business performance.

The financial results continue to show falling profits which the other three perspectives help to explain.

Strategy-mapping

SLP has used the first year's results to carry out a strategy-mapping exercise (strategy maps are communication tools used to tell a story of how value is created for the organisation. They show a logical, step-by-step connection between strategic objectives in the form of causes and effects).

Generally speaking, improving performance in the objectives from the first of SLP's perspectives will enable it to improve its internal processes. This will enable it to improve its results for customer satisfaction and eventually its financial performance.

This implies that SLP needs to reallocate resources towards increasing its R&D spend; which will, in turn, redirect its internal processes towards new product development. This should result in improved customer satisfaction and retention, with the final outcome being increased profitability.

Some of the directors, however, believe that the root cause of SLP's problems lies in exactly the matters that are under the Finance Director's direct control – i.e. the problems are due to poor internal controls and systemic weaknesses. The directors also point out that they will struggle to finance any increased R&D.

At this point in time, the board is divided and uncertain how best to proceed.

Staff

SLP's key personnel are as follows:

Managing Director	Shaun Murphy
Finance Director	Louise Harding
Production Director	Colin Smith
Sales Director	Cynthia Moss
Chief Accountant	Sue Hughes
Purchasing Manager	Tony Clark
Warehouse Manager	Robert Utley
Credit Controller	Ray Massey
Accounts Payable Clerk	Liz Hall
Accounts Receivable Clerk	Matthew Tunnock
General Accounts Clerk and Cashier	Hina Khan
Payroll Clerk	Jane Patel

SLP's financial statements

The financial statements for SLP for the year ended 31 December 20X1 show that the company had a turnover of £20 million, and made a profit after tax of £960,000. These accounts do not include the results of Merville Ltd, which was acquired on 1 January 20X2.

SL Products Ltd – Group statement of profit or loss for the year ended 31 December 20X1

Continuing operations	£000
Revenue	20,000
Cost of sales	(14,322)
Gross profit	5,678
Operating expenses	(4,413)
Profit from operations	1,265
Finance costs	(47)
Profit before tax	1,218
Tax	(258)
Profit for the period from continuing operations	960

**SL Products Ltd – Statement of financial position
as at 31 December 20X1**

	£000
ASSETS	
Non-current assets	
Property, plant and equipment	4,330
	<u>4,330</u>
Current assets	
Inventories	3,614
Trade receivables	2,976
Cash and cash equivalents	8
	<u>6,598</u>
Total assets	<u><u>10,928</u></u>
EQUITY AND LIABILITIES	
Equity	
Ordinary share capital (£1 shares)	800
Share premium	1,160
Retained earnings	4,065
Total equity	<u>6,025</u>
Non-current liabilities	
Bank loans	1,200
	<u>1,200</u>
Current liabilities	
Trade payables	3,360
Bank overdraft	124
Tax liabilities	219
	<u>3,703</u>
Total liabilities	<u>4,903</u>
Total equity and liabilities	<u><u>10,928</u></u>