



Management Accounting Data for Financial Management

Sample Assignment

Important notes

- The financial data for Financial Management will change every assessment cycle.
- You must ensure that your students have the correct data for the assessment cycle to which they are registered before beginning work on the assignment for Financial Management.
- The assignment for Financial Management is open-ended, which means it will NOT change until Spring 2023. You can use the Spring – Winter 2022 assignment with this management accounting data for the assessment cycle indicated at in the title of this document.

Discount factors table

Year	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%
1	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901	0.893	0.885	0.877
2	0.925	0.907	0.890	0.873	0.857	0.842	0.826	0.812	0.797	0.783	0.769
3	0.889	0.864	0.840	0.816	0.794	0.772	0.751	0.731	0.712	0.693	0.675
4	0.855	0.823	0.792	0.763	0.735	0.708	0.683	0.659	0.636	0.613	0.592
5	0.822	0.784	0.747	0.713	0.681	0.650	0.621	0.593	0.567	0.543	0.519
6	0.790	0.746	0.705	0.666	0.630	0.596	0.564	0.535	0.507	0.480	0.456
7	0.760	0.711	0.665	0.623	0.583	0.547	0.513	0.482	0.452	0.425	0.400
8	0.731	0.677	0.627	0.582	0.540	0.502	0.467	0.434	0.404	0.376	0.351
9	0.703	0.645	0.592	0.544	0.500	0.460	0.424	0.391	0.361	0.333	0.308
10	0.676	0.614	0.558	0.508	0.463	0.422	0.386	0.352	0.322	0.295	0.270
11	0.650	0.585	0.527	0.475	0.429	0.388	0.350	0.317	0.287	0.261	0.237
12	0.625	0.557	0.497	0.444	0.397	0.356	0.319	0.286	0.257	0.231	0.208
13	0.601	0.530	0.469	0.415	0.368	0.326	0.290	0.258	0.229	0.204	0.182
14	0.577	0.505	0.442	0.388	0.340	0.299	0.263	0.232	0.205	0.181	0.160
15	0.555	0.481	0.417	0.362	0.315	0.275	0.239	0.209	0.183	0.160	0.140
16	0.534	0.458	0.394	0.339	0.292	0.252	0.218	0.188	0.163	0.141	0.123
17	0.513	0.436	0.371	0.317	0.270	0.231	0.198	0.170	0.146	0.125	0.108
18	0.494	0.416	0.350	0.296	0.250	0.212	0.180	0.153	0.130	0.111	0.095
19	0.475	0.396	0.331	0.277	0.232	0.194	0.164	0.138	0.116	0.098	0.083
20	0.456	0.377	0.312	0.258	0.215	0.178	0.149	0.124	0.104	0.087	0.073
21	0.439	0.359	0.294	0.242	0.199	0.164	0.135	0.112	0.093	0.077	0.064
22	0.422	0.342	0.278	0.226	0.184	0.150	0.123	0.101	0.083	0.068	0.056
23	0.406	0.326	0.262	0.211	0.170	0.138	0.112	0.091	0.074	0.060	0.049
24	0.390	0.310	0.247	0.197	0.158	0.126	0.102	0.082	0.066	0.053	0.043
25	0.375	0.295	0.233	0.184	0.146	0.116	0.092	0.074	0.059	0.047	0.038
26	0.361	0.281	0.220	0.172	0.135	0.106	0.084	0.066	0.053	0.042	0.033
27	0.347	0.268	0.207	0.161	0.125	0.098	0.076	0.060	0.047	0.037	0.029
28	0.333	0.255	0.196	0.150	0.116	0.090	0.069	0.054	0.042	0.033	0.026
29	0.321	0.243	0.185	0.141	0.107	0.082	0.063	0.048	0.037	0.029	0.022
30	0.308	0.231	0.174	0.131	0.099	0.075	0.057	0.044	0.033	0.026	0.020
31	0.296	0.220	0.164	0.123	0.092	0.069	0.052	0.039	0.030	0.023	0.017
32	0.285	0.210	0.155	0.115	0.085	0.063	0.047	0.035	0.027	0.020	0.015
33	0.274	0.200	0.146	0.107	0.079	0.058	0.043	0.032	0.024	0.018	0.013
34	0.264	0.190	0.138	0.100	0.073	0.053	0.039	0.029	0.021	0.016	0.012
35	0.253	0.181	0.130	0.094	0.068	0.049	0.036	0.026	0.019	0.014	0.010
36	0.244	0.173	0.123	0.088	0.063	0.045	0.032	0.023	0.017	0.012	0.009
37	0.234	0.164	0.116	0.082	0.058	0.041	0.029	0.021	0.015	0.011	0.008
38	0.225	0.157	0.109	0.076	0.054	0.038	0.027	0.019	0.013	0.010	0.007
39	0.217	0.149	0.103	0.071	0.050	0.035	0.024	0.017	0.012	0.009	0.006
40	0.208	0.142	0.097	0.067	0.046	0.032	0.022	0.015	0.011	0.008	0.005
41	0.200	0.135	0.092	0.062	0.043	0.029	0.020	0.014	0.010	0.007	0.005
42	0.193	0.129	0.087	0.058	0.039	0.027	0.018	0.012	0.009	0.006	0.004
43	0.185	0.123	0.082	0.055	0.037	0.025	0.017	0.011	0.008	0.005	0.004
44	0.178	0.117	0.077	0.051	0.034	0.023	0.015	0.010	0.007	0.005	0.003
45	0.171	0.111	0.073	0.048	0.031	0.021	0.014	0.009	0.006	0.004	0.003

Your chosen company has decided to make a major change in the business over the next TEN (10) years which will improve the sustainability of the organisation and address Governmental aims on using fewer fossil fuels. This will involve:

- 1) Replacing the current vehicle fleet with ones powered by electricity.
- 2) Using vehicles which do not require human drivers where possible.
- 3) Making more effective use of property which will use less energy for heating, lighting and air conditioning.
- 4) Investing in new and more efficient equipment and machinery.
- 5) Reducing the workforce by 25%, replacing it with greater automation.

Within this context, will be the initial investment for the first FIVE (5) years.

A new building will be erected to house the entire administration function in the home country of the chosen company. The company owns woodland which can be cleared to provide room for the building. The land is only used by the local community for walking and informal sports facilities. No decision about the existing buildings has yet to be made.

The financial information relating to cash flows for this initial investment are as follows.

Immediate cost of the new building (Year 0) £5 million.

Costs of clearing the woodland (Year 0) £0.5 million.

Savings in employment cost (Year 1) £10 million.

Savings in employment cost will rise to £12 million each year (Year 2 to Year 5 inclusive).

Purchases of new equipment (Year 2) £30 million.

Additional annual costs £5 million (Years 2 to 5 inclusive).

The company has two ways of financing the new building.

Option 1

A non-repayable grant of £10 million may be available from the Government in Year 1.

The company's cost of capital is 5%

Option 2

If the company is unable to obtain the grant, the company will need to borrow £20 million. The loan will be at an interest rate of 8% and be repaid at the end of Year 5. (You should ignore the existing cost of capital and prepare your evaluation for Option 2 using only 8%.)

Table 1 Grant option (£ million)

	Inflow	Outflow	Net cash flow	DCF factor for 5%	NPV
Year 0		5.5			
Year 1	20				
Year 2	12	35			
Year 3	12	5			
Year 4	12	5			
Year 5	12	5			

Table 2 Loan option (£ million)

	Inflow	Outflow	Net cash flow	DCF factor for 8%	NPV
Year 0		5.5			
Year 1	30				
Year 2	12	35			
Year 3	12	5			
Year 4	12	5			
Year 5	12	25			

The tables above should be included in the Appendix of your answers and completed for the TWO (2) options using the Net Present Value approach.

Use this information for your written evaluation. You should refer to your calculations in your evaluation and make use of the information provided in the scenario as well as your understanding of your chosen company and its group.

-END-