

Level 4 Advanced Business Awareness

Assessment scenario (pre-seen)

Advanced Business Awareness pre-seen

The tasks in this assessment, for both practice and live assessment sittings, will all be based on the pre-seen scenario for The Big Green Packaging Company Ltd.

This document will be available for students to access via the Lifelong Learning Portal, as part of preparing for the Advanced Business Awareness assessment.

Students will also be able to access this material during the assessment via the references section.

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The Big Green Packaging Company Limited

You are an Accounting Technician working in the finance function of The Big Green Packaging Company Limited (BGPC). You have worked at BGPC for a number of years and have built close relationships with many people across the company.

Background

BGPC was formed 16 years ago by Eamon Deacy.

Eamon had worked in the packaging industry for 20 years and, prior to creating BGPC, he had been a director of the largest packaging company in the UK.

Eamon wanted to use his experience to create an organisation that had an emphasis on minimising its impact on the environment while still providing high quality packaging materials.

Eamon has always focussed on four key areas: sustainability, community, profitability and innovation. These are reflected in BGPC's mission statement (Appendix 1).

Sustainability

Eamon believes that the use of plastic packaging is unnecessary and that more sustainable materials, which are less harmful to the environment, should be used.

BGPC uses packaging made from corrugated cardboard but is committed to identifying other sustainable materials that can be brought into production in the future.

The business is also committed to developing a fully sustainable production cycle. Over the years, it has utilised solar power towards its energy requirements and adopted new technological advances to minimise both the use, and contamination of water, during the production of the cardboard. The company has a policy to only work with suppliers who can show that they are also pursuing an environmentally friendly strategy within their objectives.

BGPC has a policy of donating one percent of its revenue to environmental organisations.

In 20X5, Eamon publicly announced that the business would be completely carbon neutral by 20Y0, and this commitment has been included in the mission statement on BGPC's website.

Community

BGPC is based near Rugby, in central England. The location was chosen due to its excellent transport links and availability of experienced manufacturing and distribution staff. Employing people from the local community has been a priority of the business and all staff are included within the company bonus scheme, which ensures they share in the success of the business (Appendix 2).

Flexible working patterns, transport to take staff to and from work, and the provision of a workplace nursery have all helped to recruit and retain a loyal workforce who are passionate about the aims of the business.

BGPC has funded the construction of two local youth centres for teenagers.

Profitability

Using business connections that he had made during his years working in the packaging industry, Eamon was able to secure contracts with several large environmentally conscious customers. This enabled the business to become profitable quickly.

BGPC established itself in the packaging market as a business that was genuinely committed to its environmental responsibilities and was able to charge premium prices due to its unique focus on the environment.

This platform enabled the business to develop and over the last 10 years it has been growing consistently as interest in environmental packaging has grown.

There has, however, been an increase in environmentally conscious packaging suppliers and BGPC is facing increased competition.

Innovation

The business is committed to providing a high-quality service to its direct customers and the final consumer of the product by:

- using innovative raw materials to provide quality and environmentally friendly packaging
- offering some customisation options to customers in the design of the product and to produce aesthetically pleasing packaging.
- offering tracking opportunities to increase efficiency in their processes.
- using technology to improve systems and processes relating to:
 - logistics planning
 - raw materials management
 - reducing warehouse capacity requirements.

Recent developments

Last year, Eamon decided that it was time for him to retire from the day-to-day activities of the business. Consequently, Arvind Pushon was recruited as Chief Executive and Eamon took on the role of Executive Chairman in order to retain ownership and have an input into the key strategic decisions.

Arvind had previously been the Business Development Director for a sustainable brand in the cosmetics industry, Cosma-pac UK Ltd, and had an impressive track record of achieving high levels of sales growth through contracts with large corporate customers. Cosma-pac UK Ltd had gained competitive advantage by offering packaging with bespoke designs in a range of sizes that reduced space and weight in transportation.

The most recent board meeting of BGPC has identified some areas of concern (Appendix 3).

The finance function

The finance function at BGPC is responsible for several key areas.

Financial planning and analysis

This involves budgeting and forecasting to support strategic decision-making, as well as analysing financial performance to identify trends and inform management.

Accounting and reporting

This involves the maintenance of accurate financial records, preparing financial statements in compliance with regulatory requirements, and managing accounts payable and receivable.

The accounts payable process involves supplier approval, invoice receipt and verification, authorisation workflow for payments, payment processing and reconciliation and processing of expenses. Expense claims from staff members and departmental managers are submitted to the Finance Assistant for payment once authorised by the departmental manager to which they relate.

The accounts receivable process includes invoicing customers, monitoring receivables, following up on overdue accounts, recording payments and managing customer accounts.

Month-end and year-end closing processes involve reconciling accounts, preparing financial statements, reviewing and adjusting journal entries, and ensuring all financial data is accurate and complete.

Financial reporting processes prepare internal reports for management review, ensure compliance with external reporting requirements, and provide insights and recommendations based on financial data.

Cost management

This involves tracking and analysing production costs, implementing measures to reduce waste and improve efficiency throughout the business, and regularly reviewing supplier contracts and pricing. Cost saving initiatives are recommended for implementation by other functions of the business.

Cash flow management

This involves monitoring daily cash balances, forecasting cash flow to anticipate future needs, and managing short-term investment and financing options.

Cash flow management ensures that the company has sufficient liquidity to meet its operational needs and manages working capital efficiently.

Cash budgets and cashflow forecasts are prepared and monitored by the Finance Manager.

Tax compliance

This involves ensuring that the company adheres to all tax regulations and minimises tax liabilities through strategic planning.

Risk management

This includes identifying and mitigating financial risks and ensuring adequate financial safeguards are in place.

Systems

BGPC utilises several financial systems to support these functions.

- Accounting software is used for recording and processing financial transactions and generating financial statements and reports.
- A resource management system integrates various business processes, including finance, to provide a comprehensive view of operations and facilitate real-time data access and reporting.
- Budgeting and forecasting tools are used for creating and managing budgets and supporting scenario analysis and financial planning.
- A payroll system manages employee salary, bonuses, and deductions, ensuring compliance with employment laws and tax regulations.

Operational data

	20X6	20X5
Total deliveries (orders)	3,527	2,624
On-time delivery (orders)	3,260	2,493
Sales volume (items)	18,675,467	14,399,960
Product returns (items)	560,264	359,999
Average staff number	82	78
Year-end open job vacancies	6	2
Complaints	71	26
Revenue from new customers	£1,904,897	£1,180,797
Raw material wastage	3%	4%

Staff

Some of BGPC's key personnel are listed below.

Executive Chairman	Eamon Deacy
Chief Executive	Arvind Pushon
Sales Director	Lila Turner
Finance Director	Edward Moran
Production Director	Hugh Ward
Operational Director	Sasha Grain
Sustainability Director	Remi Alidu
Community Liaison Manager	Anna Magnusson
Production Manager	Wong Kuan
Purchasing Manager	Kian Bird
Accounts Receivable Manager	Julia Collinson
General Accounts Clerk	Chris West
Payroll Manager	Sue Mills

Appendix 1 – Extract from BGPC website – Mission statement

Mission Statement

At The Big Green Packaging Company, our mission is to lead the packaging industry towards a sustainable future by innovating eco-friendly solutions that prioritise the wellbeing of our planet and communities. We are committed to:

- **sustainability** – reducing environmental impact through the use of sustainable materials and practices, aiming for carbon neutrality by 20Y0.
- **community** – supporting and enriching the local community by providing employment opportunities, flexible working conditions, and contributing to local initiatives.
- **profitability** – achieving financial success, ensuring long-term growth and stability.
- **innovation** – continuously improving our products and processes through technological advancements and creative solutions to meet the evolving needs of our customers.

Together, we strive to make a positive difference for our planet, our people, and our future.

Appendix 2 - Performance targets for bonus payments

Department	Director target	Staff target
Sales	Sales revenue	New customer order volume
Operations	Reduction in delivery kilometres Achieving cost budget	Percentage of on-time deliveries
Production	Raw material waste reduction Achieving cost budget	Production volume per day
Sustainability	Achieving cost budget	NA

Appendix 3 - Extracts from minutes of BGPC latest board meeting

1. Future strategy

Arvind identified that he wanted to expand the product range beyond the current corrugated cardboard offering. The areas under consideration are listed below.

- **Biodegradable inks** – BGPC is using traditional petroleum-based inks which can be dangerously toxic when they break down in the environment. Biodegradable inks are not only easier to de-ink during the recycling process but are also generally more cost-effective. Customers have expressed an interest in biodegradable inks.
- **Edible packaging** – plant-based packaging options have seen significant growth with materials made of biological sources such as seaweed, mushrooms, and food waste. The use of natural and plant-based components can allow for packaging to be consumed. This has high potential growth in the food packaging industry.
- **Plantable packaging** – materials that have seeds embedded in them that customers can go on to plant when they are finished with the packaging. This form of packaging is ideally placed for the packing of small or lightweight products such as cosmetics.

2. Finance update

The financial results (Appendix 4) were discussed.

Although revenue growth continues to exceed target, the business is struggling to keep its costs, both direct and indirect, under control. This is having an impact on margins as the business is typically tied into 12-month fixed-price contracts with its major customers and so cannot pass on cost increases.

The increased competition in the market has started to put pressure on the prices that the business is able to charge. Customers who have traditionally renewed their annual contracts automatically are now putting their business out to tender. This has resulted in the loss of two large customers but has also resulted in BGPC having to reduce their prices to retain other clients who have gone through this process. The impact of these recent customer losses and price negotiations will not take effect until 20X7.

To protect margins, Arvind has just negotiated a contract to purchase raw materials from an overseas supplier at significantly reduced prices.

3. Sales performance

As reflected in the accounts, the sales performance for the last period continues to be strong and the contracts in place are bringing in revenue higher than that predicted.

One trend in the market is that clients are frequently looking to work with packaging suppliers who can provide a more comprehensive product offering.

Two large customers that were recently lost following a tender process have moved their business to a larger national supplier. Both customers reported several reasons for moving to the new supplier, including:

- competitive pricing
- an option to design packaging for each customer that is bespoke
- collaboration with the customer to minimise the amount of packaging required
- the provision of other services such as leaflet/brochure inclusion within packaging.

4. Sustainability

The monthly data report shows that the number of flights taken by staff has again increased this period. Travel request forms show that this is primarily related to travel to client meetings in the UK. There was concern that the increase is at such a level that it is going against the fundamental principles upon which BGPC was formed, and that staff should be instructed to use more sustainable travel options.

Additionally, the decision to have a senior management team meeting in Edinburgh, with 15 staff attending, adversely impacted the travel data for the period. The meeting was negatively perceived by staff who expressed concern at the attitude towards sustainability being displayed by the leadership team, when video conferencing software could have provided a suitable alternative for the meeting.

Arvind has negotiated a contract to purchase raw materials from overseas rather than using local UK suppliers. These materials are cheaper but will impact the production process of the BGPC, resulting in a significant increase in the level of water consumption by BGPC. In addition, the change in raw materials will result in a heavier product, and therefore would increase the greenhouse gases used in product distribution and increase fuel consumption while transporting the products.

It was suggested that the above examples represented a worrying trend and are negatively impacting the business's ability to hit its target to become carbon neutral by 20Y0.

Appendix 4 - Financial statements

Statement of profit or loss for the year ended 31 December

	31/12/X6	31/12/X5
	£	£
Revenue	15,874,147	11,807,967
Cost of sales	(10,820,645)	(7,737,586)
Gross profit	5,053,502	4,070,381
Distribution costs	(641,705)	(496,515)
Administrative expenses	(2,982,111)	(2,409,123)
Profit from operations	1,429,686	1,164,743
Finance costs	(70,264)	(44,242)
Profit before tax	1,359,422	1,120,501
Tax	(122,347)	(168,075)
Profit for the period from continuing operations	1,237,075	952,426

Statement of financial position as at 31 December

	31/12/X6	31/12/X5
	£	£
ASSETS		
Non-current assets		
Property, plant and equipment	7,056,251	6,496,131
Current assets		
Inventories	517,269	302,665
Trade receivables	2,568,221	1,980,004
Cash and cash equivalents	1,033,809	724,335
	<u>4,119,299</u>	<u>3,007,004</u>
Total assets	<u>11,175,550</u>	<u>9,503,135</u>
EQUITY AND LIABILITIES		
Equity		
Ordinary share capital (£1 shares)	1,000	1,000
Retained earnings	5,315,673	4,602,443
Total equity	<u>5,316,673</u>	<u>4,603,443</u>
Non-current liabilities		
Bank loan	432,776	419,787
Hire purchase contracts	2,423,561	1,812,381
	<u>2,856,337</u>	<u>2,232,168</u>
Current liabilities		
Trade payables	2,004,679	1,789,078
Tax and other liabilities	997,861	878,446
	<u>3,002,540</u>	<u>2,667,524</u>
Total liabilities	<u>5,858,877</u>	<u>4,899,692</u>
Total equity and liabilities	<u>11,175,550</u>	<u>9,503,135</u>

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AAT
30 Churchill Place
London E14 5RE
aat.org.uk

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