

PCEF guidance notes

**Area H –  
Sustainable  
management  
accounting**

## Area H – Sustainable management accounting

### Unit PC17 – Develop and implement accounting systems

This unit is about helping clients to evaluate their needs for accounting systems and packages and assisting them to implement the systems and packages that are agreed. The module requires a clear understanding of the organisation. It requires you to provide training and guidance on the use of systems. Communication skills are vital, both in identifying needs and advising on systems and packages that can be used.

Element reference	Demonstrated behaviour and examples
<b>Element SM1</b> <b>Identify potential changes to an organisation's accounting systems</b>	<ul style="list-style-type: none"><li>• Establish criteria for evaluating accounting systems with client</li><li>• Review existing accounting systems for their applicability</li><li>• Assess current and potential needs in consultation with clients</li><li>• Assess systems and packages for their suitability</li><li>• Recommend and discuss potentially suitable packages and systems with clients</li></ul>
<b>Element SM2</b> <b>Implement and evaluate new/changes to accounting systems</b>	<ul style="list-style-type: none"><li>• Implement a new system or changes to an existing system</li><li>• Provide information on the features and use of systems and packages to users</li><li>• Monitor the introduction of, or changes, to the accounting system and obtain feedback from users</li><li>• Train users on accounting and reporting issues and provide ongoing advice and support</li><li>• Make recommendations to modify systems where required</li></ul>

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### Unit PC18 – Control expenditure and monitor budgets

This unit is about helping clients to ascertain their cash flow requirements, develop budgets and monitor actual against budgeted spending. Communication is an important aspect of this unit. You are expected to agree budgets with clients and detect and analyse any variations between actual and budgeted spending.

Element reference	Demonstrated behaviour and examples
<b>Element SM3</b> <b>Prepare spending proposals and profiles</b>	<ul style="list-style-type: none"><li>• Understand the business objectives of the organisation and the economic environment in which it operates</li><li>• Calculate the level of funding required to achieve the business objectives</li><li>• Design spending plans/cash flow forecasts</li><li>• Perform sensitivity analysis and create spending profiles to ensure that the funding can support the ongoing business requirements</li></ul>
<b>Element SM4</b> <b>Agree, monitor and report on budgets for activities</b>	<ul style="list-style-type: none"><li>• Negotiate budgets and resolve any outstanding issues</li><li>• Communicate agreed budgets to those who are responsible for administering or controlling them</li><li>• Analyse variations between the actual and budgeted figures on a regular basis. Report to clients on the variations identified, giving adequate explanation and interpretation of the data</li></ul>

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## Area H – Sustainable management accounting

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### Unit PC19 – Plan and monitor business performance

This unit is about helping clients to specify, implement and evaluate business performance measures. It requires you to understand the business and economic environment in which the organisation operates. An understanding of measurement systems is also required to help clients to introduce and monitor business performance.

Element reference	Demonstrated behaviour and examples
<b>Element SM5</b> <b>Identify financial objectives and performance measures</b>	<ul style="list-style-type: none"><li>• Gain an overall understanding of clients' business objectives and the business environments in which they operate</li><li>• Set key performance measures which relate to the achievement of business objectives – eg key financial ratios used by the business to assess performance on capital employed or debtor ratios and any other relevant KPIs</li><li>• Communicate the purpose of measuring performance and the measures being used to the relevant stakeholders</li><li>• Provide accurate information about key performance measures to relevant stakeholders</li></ul>
<b>Element SM6</b> <b>Facilitate the introduction of systems and practices to plan and monitor financial performance</b>	<ul style="list-style-type: none"><li>• Agree the nature and scope of systems to measure and monitor financial performance</li><li>• Identify appropriate systems for measuring performance that meet the clients requirements</li><li>• Secure the resources to ensure the system or practices can be effective</li><li>• Demonstrate systems to users and ensure that they understand them</li></ul>
<b>Element SM7</b> <b>Monitor the achievement of financial performance and objectives</b>	<ul style="list-style-type: none"><li>• Agree measures to assess performance with clients, assess performance and inform clients of the outcome</li><li>• Diagnose problems in performance and advise on how to solve them</li><li>• Report the results of monitoring and analysis to clients and suggest appropriate corrective action</li><li>• Help clients to set new, or amend existing, business objectives/performance measures to accommodate changes in circumstances</li></ul>

Click [here](#) to view examples

## Area H – Sustainable management accounting

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### Unit PC20 – Identify and analyse the costs associated with products and services

This unit is about costing new products and services and determining their potential profitability. It also relates to gathering and analysing the actual costs of products and services as well as identifying variations from predictions and making recommendations to reduce costs where practicable.

Element reference	Demonstrated behaviour and examples
<b>Element SM8</b> <b>Evaluate the potential profitability of products and services</b>	<ul style="list-style-type: none"><li>• Identify both short-term and long-term costs of products and services</li><li>• Maintain an awareness of market conditions as they affect supply – eg investigate alternative suppliers of goods and services</li><li>• Calculate the potential revenue from products and services and estimate future profitability. Determine whether or not the predicted profitability of products and services meets the organisation's objectives and strategies</li></ul>
<b>Element SM9</b> <b>Calculate the actual costs of products and services</b>	<ul style="list-style-type: none"><li>• Identify the actual costs of production and delivery for products and services</li><li>• Clarify the basis for how overheads will be absorbed, any assumptions on which the calculations are made and the validity of the source of the data</li><li>• Calculate and analyse the difference between estimated and actual costs. Discuss with the client the reasons for any variances and the financial viability of the product or service</li></ul>
<b>Element SM10</b> <b>Make recommendations to reduce costs and enhance value</b>	<ul style="list-style-type: none"><li>• Explain the methodology used to evaluate the profitability of products, including the assumptions made to clients</li><li>• Review evaluations on the cost of products and services and advise clients on their value to the business</li><li>• Give advice to improve profitability of individual products or services</li><li>• Make recommendations on the overall product portfolio based on product data and feedback from stakeholders – eg make a recommendation to discontinue an unprofitable product line.</li></ul>

Click [here](#) to view examples

## Area H – Sustainable management accounting

**Unit PC17 – Develop and implement accounting systems**

ELEMENTS	
SM1	Identify potential changes to an organisation's accounting systems
SM2	Implement and evaluate new/changes to accounting systems

**EXAMPLE 1****SM1**

One of my clients who operated an auto electric company had complained that he felt he was being charged too much for his annual accounts preparation. I arranged a meeting to discuss the matter with him. At the meeting I explained the fees to him. The reason the fee was so high was mainly due to the older, more traditional system that he operated, with a manual cashbook which contained a lot of errors and so the preparation of the annual figures took some time as a result.

As a solution, I explained that our firm worked closely with a new online, cloud based software which would help to minimise the chance of errors, as well as reducing the time taken to collate his financial information. At the meeting I was able to show how the software worked via a demo, which the client was very positive about. We agreed to install the new software, and despite a monthly software fee, I would be able to dramatically reduce his fee going forward.

**SM2**

One of my clients in the building sector introduced new software. I agreed to attend the client premises to implement the software package and provide training and guidance on the transition to the new system. As the staff used a very antiquated system and I had noted errors in previous financial years, I had concerns that staff would need supporting with the new software and procedures.

For the first three months, I analysed the information submitted and on a sample basis, traced individual transactions back to the original invoices and the bank statements. I discovered some errors, due to the client posting invoices without allowing for their early payment discount. This enabled me to give feedback and extra training to show the client how to account for discounts and by the end of month three the staff feedback was very positive on the time saving of the new system, as well as how much easier it was for them to get useful analyses of information from the new system.

**EXAMPLE 2****SM1**

During the audit of a subsidiary of an international group involved in fleet management I was asked to prepare a written opinion on the current accounting system's functionality. This included a review of system functionality (which the results of the walk-through testing performed during the audit assisted with), comparison against the information required by law for managing/insuring fleet vehicles and prepared a report on my findings.

I identified that certain areas of the system were still heavily reliant on manual input, given the high costs of finance personnel and the resultant slow down on month end procedures by manual processing. I highlighted within my report that this led to higher than industry average costs of operation. It also led to a significant delay in key management information for the senior stakeholders of the business. By gaining an in-depth understanding of the client's processes and reporting requirements (including various KPIs and metrics) I therefore proposed an alternative cloud based accounting solution as well as a shift in responsibilities for some of the finance personnel. This ultimately reduced costs by 10% and enabled month end management information to be ready for the board five working days earlier than usual.

**SM2**

To support the implementation my first task was to explain the benefits to some of the key staff affected; after highlighting potential cost savings in routine manual processes being automated, this meant that staff affected were then freed up to add better value in other parts of the business.

Once the scope of the project was agreed I put in place key milestones for the transition, including extensive user testing, bespoke software and technical training sessions at the client site for all affected personnel and highlighted key dates for transitioning the opening trial balance to the new system. Two months after migration to the new system we agreed to evaluate its operation and gathered feedback from users to gauge success. Overall the client deemed the project a success in terms of efficiencies and the deploying of resources to alternative areas led to a more motivated workforce. It also ended up with a cost saving of £50,000, which was a saving of 8% overall. The client had wanted a 5% cost reduction so was very pleased with the outcome.

### **EXAMPLE 3**

#### **SM1**

The current payroll process of the retail fashion chain I was working in was very manual and utilised an outdated payroll system which didn't interface with our finance system, resulting in excessive reliance on Excel and delays in producing the monthly management accounts. The level of reporting with the existing system was insufficient for the growing business needs and the manual nature of intervention needed meant the system was prone to user error.

I worked as a senior member of a small project team tasked with identifying major time and cost savings that could be made by implementing a more up to date, fully automated system. After conducting personal research on the appropriate software packages available to meet the business needs and speaking to some current users of the software, we collated a report to senior management presenting the findings of our work and put forward our recommendations to the finance director. The recommendation was for a system that was off-the-shelf but had the option of a small amount of bespoke tailoring for our company's needs. This kept costs down whilst making sure the package was fit for purpose.

#### **SM2**

Once our findings were reviewed I took responsibility to implement the software package that was recommended. I was responsible for liaising with the third party software provider as well as our internal IT department. A smooth transition and integration with our existing accounting package was essential so I conducted in-depth testing, raising potential issues to the software provider on a timely basis so as to adhere to the anticipated 'go live' date. I also sense-checked the reports that were being produced by the system to ensure that they were accurate, complete and user-friendly. As an expert user of the new system I subsequently trained the appropriate staff in its efficient use, as well as efficient use of the reporting tools within the software and trouble-shot any queries/user issues as they arose. I remain the main point of contact for the system usage, the results of which have shown clear time and cost savings for the department.



Area H – Sustainable management accounting

Unit PC18 – Control expenditure and monitor budgets

ELEMENTS	
SM3	Prepare spending proposals and profiles
SM4	Agree, monitor and report on budgets for activities

EXAMPLE 1

SM3

As part of my role as manager within the office I am responsible for managing the IT infrastructure and assets of the firm. I am also responsible for ensuring that our software meets the changing legislative requirements on a timely basis.

Recently I had to audit our current systems and ascertain the requirements of our system and any potential upgrades. As part of this, I had to create a budget and spending proposal for the software requirements. This involved gathering information around the possibility of an upgrade to the current system, as well as moving to a new information management system which incorporated cloud based systems, where clients could upload their information to our system remotely.

Once I gathered all of the information, I then created a report to the partners of the firm. This report looked at the costs and benefits of the system. Within this report, I assessed the changes to client service and presented the overall costs of each system. Upon presentation to the partners they all agreed that while the new system was more costly, it would assist in reducing preparation time which would be balanced out by greater fee recovery rates.

SM4

My role as manager in the firm involves agreeing fee quotes with clients. In order to ensure I agree a profitable quote, I assess each job individually to work out time, staffing and technical elements to compile an individual job budget.

At the end of each quarter, I report to management on the recovery rate of each job. Where a job has come in over budget with a low recovery or a loss, I look into why this has happened to provide appropriate explanation to the partners.

Further to this, when I note a job has overrun, I monitor this and carry out analysis to understand if it has been an error in my quote, or whether there is client or staffing reasons, such as lack of training/knowledge.

With a recent GP client, the member of staff allocated had not had sufficient experience of superannuation and so I arranged for the member of staff to attend an update course on accounting for superannuation in medical clients. This meant that the next piece of superannuation work that the member of staff was assigned to came in on budget as they had the technical knowledge to conduct the job more efficiently.

EXAMPLE 2

SM3

One of the main deliverables this period was the development of an integrated plan for a new operating model for finance within a newly merged entity. I worked alongside the client’s team to identify high priority activities as well as the resourcing requirements in order to meet the integrated business objectives communicated by the client’s management team. One key part of the work was to identify short and medium term assets that were duplicated as a result of the new entity. I worked with the client’s staff to identify these assets and then obtained an appropriate valuation for them within the group. Based on this work, I drafted spending proposals for the next 12 months along with a cash flow forecast (for the short to medium term). I then presented my results to management and they were able to sign off on program savings and synergies (both tangible and intangible) that would increase their profitability by over 7%.

SM4

Once the spending proposals were approved I designed a template to track the actual spend vs the budgeted spend and ensured that the relevant business units understood their role in controlling them. It was imperative that they had ‘buy in’ from the outset due to tight deadlines in place for the project; this required quite extensive stakeholder management on my part.

Detailed variance analysis was performed monthly alongside the collation of relevant performance data from the business unit heads in order to provide a meaningful summary of the month’s activities to management and the reasons for any significant deviations from budget. One such deviation identified was in relation to insurance costs which, when investigated, highlighted the fact that a buildings insurance policy on one of the old plants (now closed as a result of the merger) had not been cancelled. This was duly reported and resolved immediately.

### EXAMPLE 3

#### SM3

After a detailed analysis of the company's longer-term strategic plans it was decided that it was necessary to establish an overseas division in France. Following consultations with the sales director and his team, I was able to put together a detailed spending proposal in establishing the new activities across the various parts of the new division, together with a sensitivity analysis of a +/- 5–10% change in turnover along with detailed cashflow forecasts and created a three year business plan to incorporate the working capital requirements of the division to ensure that it could meet any ongoing financial and business requirements and to ensure any risks were minimised. This proposal was passed to the Board for consideration.

#### SM4

I was responsible for preparing the annual budgets for a steel manufacturing group consisting of three entities within different countries which involved analysing expenditure from the prior year as well as collating data on the current economic climate of each country and planned activity for the current year within each entity. I would then prepare a draft budget based on the prior year data, taking into account the future projections as well as providing commentary to the Board on my assumptions when I presented this draft budget to them for review.

Based on monthly results I then compared actual results to the budget agreed for that month and investigated any discrepancies, suggesting measures to correct them where necessary. In order to accurately analyse the variances, I often had to speak directly to country heads. It was discovered that one month's utilities were mis-allocated, which caused a major discrepancy. The divisions are high energy users and plant staff get a bonus based on marginal cost of production, so this was highlighted in the commentary sent to management and corrected at both group, and local level.





Area H – Sustainable management accounting

Unit PC19 – Plan and monitor business performance

ELEMENTS	
SM5	Identify financial objectives and performance measures
SM6	Facilitate the introduction of systems and practices to plan and monitor financial performance
SM7	Monitor the achievement of financial performance and objectives

EXAMPLE 1

SM5

Through my recent promotion to senior manager, I took on more responsibility on the financial performance of the firm, which was part of my overall annual objectives. One of my main objectives stemmed from the firm’s operational plan to increase profitability of the firm, as it was noted that profitability for the last year had declined.

I carried out an analysis of the firm departments and noticed that in particular, the audit and business services teams were the reason for decline. From further analysis of a sample of file reviews, this showed it was partly due to changes within the audit procedures and risk assessments, changes in client requirements and growth of clients. This had not been addressed with them during the annual client fee reviews.

At appraisal time, I discussed the lack of profitability with each of the team that reported to me and we discussed ways to improve. Following these meetings, I worked with each of my direct reports to agree specific objectives to increase profitability. For example, each person was to review the fees agreed with each client to ensure that annual changes to the client that resulted in increased risk or increased time spent on site were reflected in the annual fee quote. I also arranged for an informal catch up with each of my direct reports at least once a month, in addition to our quarterly appraisals, in order to discuss with each manager their progress towards achieving their financial objectives.

SM6

One of my clients, a group which operated bars and nightclubs, was looking at ways to incentivise and monitor their site manager performance, as well as seeking to improve profitability of each site. The client approached me to discuss how they could look to improve this.

I arranged a meeting with the client to discuss the specific areas that they were looking to focus on, and what they wished to see through the monitoring activity. From the discussion, I recognised that they were looking to pass more responsibility on margins and inventory management to their staff. I discussed and gathered the evidence, and then following the meeting I prepared a revised monthly reporting pack. I agreed that, similar to the directors pack, I would devise a specific reporting spreadsheet which would collate information from their till and inventory systems via a Macro, to provide a monthly template of performance against key KPI benchmarks for their managers.

Following the clients agreement, I arranged to meet the managers with the directors to explain and assist in the facilitation of the new reporting scheme, from which their bonus would be agreed.

SM7

As a senior manager in the firm I am responsible for having regular discussions with my team to monitor their performance, in particular their contribution to the firm’s Key Performance Indicators and overall profitability.

In one meeting, I had to discuss why there were four jobs coming in significantly over-budget but with no apparent reason – for example the jobs involved had no unusual risks identified for that year. Upon further discussion it became apparent that one member of staff had been off sick for a few weeks right in the middle of the firm’s busiest period and this had affected the level of overtime that the other staff had to work to cover the absence. My immediate reporting manager was monitoring the situation and had taken advice from the firm’s HR director to manage the situation. I spent time discussing how we could help the member of staff back to work and we agreed some realistic targets during the team member’s phased return to work.

EXAMPLE 2

SM5

One of my clients, in a specialised health food business, requested my support with their management reporting so I began by learning about the company’s business and worked with them to build a management information reporting pack. Firstly, together we identified the performance measures and objectives as well as targeted results based on the client’s expectations. It was necessary to flex these measures slightly in the face of my experience of the industry sector as although the client seemed to be experiencing fast growth over the last few years, with the onset of producers fast discovering traditional health food products from non-traditional sources, competition was set to vastly increase so a more realistic set of expectations were suggested.

Given this experience, I researched further key metrics and created an industry standard KPI document including metrics around sales volume per location/store, yields, quality (and spoilage), stock turnover and customer complaints in addition to the standard core accounting metrics such as gearing ratios and debtor/creditor days.

### **SM6**

The client wanted more accurate KPIs and in order to do this, it was decided to migrate the existing system to a cloud based accounting solution which would provide greater visibility and faster reaction times. I personally carried out testing of the system post-migration to ensure that not only had the opening balances been migrated correctly but also the data flow was operating as it should be. To ensure user acceptance, and reduce the scope for user error, I undertook a period of training with the client's finance team. This involved both initial training and being on hand to troubleshoot any issues as and when they arose. Once operational the system proved its worth and management were able to review the metrics as previously identified as well as highlight trends.

### **SM7**

During regular monitoring of my clothing retailer client's performance, sales volumes started to show a downward trend across one particular business line within a number of regional stores over the third quarter of the period. This was highlighted and investigated. It transpired that a competitor had discounted a particular brand of clothing. Although not visibly marketed, within a short space of time, popularity had grown significantly and had an immediate impact on sales of the company's competing product.

Given this change, I felt it necessary to advise the client to incorporate further KPIs into the existing suite in order to better stay ahead of the industry by monitoring competitors closer. Metrics around competitor pricing and range were incorporated and a sub-section of the monthly report devoted to any notable changes each month.

### **EXAMPLE 3**

#### **SM5**

I have recently been appointed credit controller. I discovered as part of my monthly reporting pack to senior management that aged debt had increased from 30 to 45 days. I put in place measures to tighten credit control within the company. I performed an aged debtor analysis, investigating any balance outside of the company's usual payment terms as well as setting a number of KPIs around debtors and liquidity such as debtor days and working capital ratios and set targets to improve them.

#### **SM6**

I started working very closely with the assistant credit controller to ensure that all payments were being received on time and within the credit terms initially agreed with the customer. I created and implemented a new system to ensure that debt was promptly chased when it fell due and start acting more proactively by issuing polite reminders to clients whose debts are due within the next seven days. A report was created to highlight such upcoming due debt which the credit controller used to actively contact the relevant customer to ensure that the invoice was received and that approval was sought in time in order for the debt to be settled on, or by, the due date.

I also created an overall debtors reporting pack which I sent to management at first daily (to determine its usefulness), then weekly.

#### **SM7**

As a result of my work on this reporting pack, debtor days fell from in excess of 45 to between 30–35 which was in line with the target days and both the working capital ratio and the overall cash flow position of the company improved.

The reporting pack also proved useful to highlight anomalies with certain customers as they arose as it included a variance analysis against expected payment patterns plus commentary, where necessary. This was used by the Board to identify any slow paying customers for whom the lines of credit needed possible revision. An example of this was one of our larger overseas buyers who had recently run into foreign exchange difficulty due to an error within their money transfer service. Management suggested temporarily extending their terms of payment in light of the uncontrollable change in circumstances since their long standing custom was valued but I monitored the situation weekly to ensure they didn't become a bad debt in the longer term. My reporting pack was praised for aiding meaningful, timely decision-making by the Board.

## Area H – Sustainable management accounting

**Unit PC20 – Identify and analyse the costs associated with products and services**

ELEMENTS	
<b>SM8</b>	Evaluate the potential profitability of products and services
<b>SM9</b>	Calculate the actual costs of products and services
<b>SM10</b>	Make recommendations to reduce costs and enhance value

**EXAMPLE 1****SM8**

One of my retail clients for whom I produce monthly management accounts was looking to review the performance of one of its stores. The nature of the business meant that a lot of purchases were from overseas.

Due to recent changes to import tariffs and legislation they were looking for advice on the profitability and performance of one of their stores. I met with the client to gain information on the products in more detail, and gather details of each product within the store, including details on shipping and customs declarations. From this, I was able to produce a revised forecast of the profit margins based on the proposed government changes and consumer trends noted by the firm. From this information I provided a costing report, breaking down to individual product profitability.

The client then used this to work out profitability and at the follow up meeting I flexed the information based on further analysis of bulk purchasing discounts where appropriate.

**SM9**

A new entrepreneurial client who produced a reward based app was looking to launch their business. The income generation would come by way of signing local businesses such as cafes and restaurants to the app who pay a monthly subscription. From this, the app would produce targeted marketing and offers based on customer trends.

My client had incurred large development costs and I helped them to calculate a costing card. This involved creating an absorption costing model based on figures, to meet their three years planned cost recovery, with the ultimate goal being to generate profits as soon as possible.

**SM10**

My client in the manufacturing sector, providing work based clothing and uniforms was facing challenges in the market and were looking to reduce costs to enable them to be more competitive.

Following a meeting with the client, I obtained information and the latest managing reporting figures. I then carried out an analysis to determine specific costs and potential improvements. One of the areas I focused on was a VAT review to determine the current structure and potential improvements, in conjunction with my firm's VAT specialist. With him, I was able to revise a potential restructure option

and a way of adjusting structure to take account of a better way for the firm to incorporate its overseas sales and purchases, which could result in savings of around £20,000 based on current levels.

Further to this, I also discussed outsourcing non-essential services – one of which was the bookkeeping department. As a result, the firm agreed to reduce its workforce and outsource to a specialist bookkeeping function, saving the company £43,000 per year.

**EXAMPLE 2****SM8**

I was seconded into a specialist department of the firm that worked on projects commissioned by clients to grow profitability and recommend change. I was tasked with carrying out a review for a client who manufactured high volumes of kitchen materials. They specifically wished to know whether the current basis for valuing their work in progress was correct as the method they employed had a significant effect on the gross profit margins of the business. It was clear that various issues affected the margin such as wastage, breakages and rejects being incorrectly recorded. It also fluctuated greatly due to the current, standardised nature of the costing of materials which was problematic due to the fact that some were imported in small volumes from overseas at high cost and other lower priced materials were purchased locally in larger quantities benefitting further from economies of scale. I ultimately provided evidence showing that some manufacturing lines were profitable and some ran at a loss.

**SM9**

I recommended a new system to record wastage/breakages by making staff more accountable for the materials they were using and introduced a Key Performance Indicator to measure the percentage of breakages and waste to sales in any given month, setting a suitable target and ensuring any actual results higher than that targeted were investigated. I also recommended valuing work in progress in a less standardised fashion by breaking it down per product line which would prove far more accurate considering the initial cost of the raw materials, exchange rate conversion (for the imported goods), delivery costs, labour and machinery costs.

This methodology led to a far more accurate analysis of the profitability of each line of kitchen sold which in turn ensured that the company's pricing was fair and competitive.

**SM10**

With a more accurate breakdown of gross profit margins across the business, the company was able to gain clear visibility of those lines/products which were less profitable. One such line which fell below the acceptable margins was identified as one utilising specifically imported Italian granite as one of its major components. The effects of hedging needed to be carefully considered as this obviously led to an increased cost of the raw material and that coupled with ever rising delivery costs meant that the future feasibility of continuing to offer the line was called into question. Based on my analysis of the future profit projections of the line, I recommended that the product either be discontinued or alternative suppliers investigated.

**EXAMPLE 3****SM8**

Within the fashion eyewear market I prepared a comparison of the cost of new products (from a variety of home and overseas suppliers) together with the current pricing to determine which lines were most profitable and which if any, were loss-making. Management's strategy of high volume, low margin sales was not working as anticipated; the high volumes were just leading to large losses and there was a need for the business model to change in an ever-evolving fashion eyewear market. In an effort to improve margins I introduced a new sales commission structure adjusted to better focus on higher margin goods.

**SM9**

I prepared a report comparing actual cost to estimates for the overseas shipments in order to identify where profit margins could improve. There was a big drive to reduce the cost of supplies and to research the competitiveness of overseas products so I worked with the buyers within the team and devised a model to detail the costing of the products we were currently buying. This model incorporated the initial product cost, the cost of returns for damaged/unwanted products, associated delivery costs and the bulk quantities ordered (with potential economies of scale).

Goods were to be bought overseas and it was important to adequately account for foreign currency movements. Different suppliers meant different exchange rate risks to be managed and the volatility of the currencies meant that the movement in foreign exchange affected the price of the product dramatically. Estimating the effects of this were difficult to do and meant that a close eye needed to be kept on money market predictions to determine whether or not this geographical change of supply would end up adversely affecting the profit margin if we switched.

**SM10**

As the financial controller of a toy retailer, I had noticed that the costs incurred on some of the sales lines were excessively high. I investigated further and discovered that a number of loss making lines were not being reviewed regularly to see if they were desirable products and so should remain as loss leaders, or whether they should be discontinued. I tracked the overall costs and profits month on month for the remainder of the financial year for each of the lines in question. I then made a recommendation to the sales director of the lines that continued to bring in a positive contribution to margin and those that should be discontinued and any old stock should be sold off at a discount. By the end of the year, I had made recommendations that improved net margin by over 3%.