

NPGL Financial Report

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Introduction

Managers need financial and operational data to make smart company decisions, which management accounting aims to provide. Budgets, forecasts, and performance reports are all examples of this kind of data. The emphasis on short-term decisions is one of the most important components of management accounting. Management accounting information (MAI) is meant to help managers in making better informed everyday choices rather than making long-term strategic decisions. MAI includes a plethora of data about a company's expenditures, sales, and profitability. The first half of this article discusses NGPL (Next Generation Power Limited) in Manchester, while the second piece explains how monthly control reports are created. Second, in order to save money, the Board of Directors should keep or shut the Manchester branch.

Section 1:

Monthly control reports should include the original budget, the flexible budget, and any deviations from the original plan:

Monthly Control Report:

An overview of the company's month-to-month performance is included in the monthly control report. Each product or service sold is represented by revenue, cost, and profit/loss figures. A comparison of actual outcomes with budgeted outcomes is also included in the report to see where budgeted results fell short of expectations. This allows managers to rapidly identify any issues or areas that need improvement. Use the monthly control report for any number of purposes. It may also be used to keep tabs on how far you've come toward achieving certain objectives. Thus, the system can make better judgments about its future course of action as a result. Additional projections may be made using the report's findings (Davidyuk, 2017).

An annual control report is compiled by the company's "chief financial officer (CFO)" together with other senior management members. To make it easier for corporate employees, it might be delivered or made available online. There are several employee intranets with large databases that may be accessed by using a secure portion of the site for the report's placement. Any computer with an Internet connection or a hard drive that the employee has access to may then view or save the document. Executive summaries are typically included in monthly control reports to emphasise the most important findings. Managers no longer have to go through the "monthly control report" in order to receive the information they need (Hanif, 2019).

Flexed Budget

Budgeting that is "flexible" in nature is the most prevalent sort of this type of planning. Flexible budgeting enables businesses to adjust their revenue and expenditure estimates if actual results exceed or fall short of expectations. For instance, a firm may keep within its budget even if its revenue is lower than anticipated in a specific month. Profits, if they soar one month, may be put to good use in the company's growth. Flexible budgeting enables businesses to more effectively adjust to changes in revenue or expenditures and to monitor how their actual performance compares to the expectations established in advance. Businesses that can monitor their real performance are better equipped to identify opportunities for improvement. Annual budgets for businesses must account for both positive and negative changes in revenue and spending (Li, 2018).

Monthly control report

Original Budget

Particulars	Actual (£)	Original (£)	Variance	Favourable/Unfavourable Variance
Units	80,000.00	80,000.00		
Sales	16,00,000.00	20,00,000.00	400,000.00	Unfavourable Variance
Actual: (80,000 x 20)	0	0		
Original: (80,000 x 25)				
Less: Costs				
Variable				
Costs:	280,000.00	200,000.00	80,000.00	Unfavourable Variance
Materials	440,000.00	320,000.00	120,000.00	Unfavourable Variance
Labour	120,000.00	120,000.00	0	Nil
Overhead				
Contribution (Sales – Variable Costs)	760,000.00	13,60,000.00	600,000.00	Unfavourable Variance
Fixed				
Overheads:				
Warehouse	170,000.00	200,000.00	30,000.00	Favourable Variance
Rental	100,000.00	100,000.00	0	Nil
Insurance				
Fulltime				
Warehouse				
Supervisor	35,000.00	50,000.00	15,000.00	Favourable Variance
Salary				
Profit	455,000.00	10,10,000.00	555,000.00	Unfavourable Variance

Based on the expense data provided in I above, provide a report on NPGL's performance in Manchester:

Performance Report

There has been a rough year for "NGPL." The Covid-19 epidemic has impacted transportation and travel, which has resulted in fewer sales. NPGL Ltd. expected to earn £100,000, but after costs, just £80,000 came in the door. Material and labour expenses rose significantly, yet selling prices fell by 20% from £25 to £20 per unit, despite the rise in costs. Overhead expenses will climb by 10% for the firm. This results in a weight loss of 760 pounds (budget vs actual). Insurance costs have increased from £100,000 to \$175,000 since the budget's inception. Managers at the warehouse will have their pay slashed by 20%, going from £50,000 to £35,000. A more accurate forecast of the company's ability to retain the same level of revenue was made using a more flexible budget than originally anticipated. There is a problem with "Next Generation Power Limited (NGPL)" here in Manchester. Despite a rise in the per-unit sales price, costs remain high (Macchia, 2019). On a fee-for-service basis, management Profitability has been severely damaged on a broad scale.

Make suggestions on areas for improvement to the NPGL Boards of Directors:

During this difficult time, the CEO must take some significant steps to help her firm recover. Selling more units at a profit should take precedence over reducing variable costs in this circumstance.

NGPL may increase revenue in a variety of ways, such as:

Increase in selling price without raising variable costs leads in a £40,000 increase in total revenue by selling each unit for \$30 rather than \$25. A decline in sales volume may leave NGPL with less inventory to sell as a consequence of this approach. Choosing this choice is not a good idea.

Variable expenditures may be reduced in a variety of ways, including the following:

1. Variable material prices may be decreased from £2.5 to £2 per unit while remaining constant for other aspects such as selling price and labour expenses. As a result, the contribution margin improves by £0.5 per unit, resulting in an increase in revenue of £20,000. While this may result in lower-quality products, it may impact customer satisfaction. This is not a desirable choice.

2. Annual variable costs will be lowered by £120,000 if the number of full-time warehouse personnel is decreased from four to three while maintaining all other variables constant. This choice will help NGPL's fixed overheads the most, while also reducing losses.
3. Reducing overhead expenditures by £1.50 per unit results in an annual savings of £30,000 in variable costs. Due to the fact that some overhead expenditures are necessary for the functioning of the business, this alternative may not be possible (e.g., insurance). This, in my opinion, is an abhorrent proposition (Nishimura, 2019).

As is obvious, the boards of directors of NGPL must prioritise revenue development while controlling variable costs. The approaches discussed above may be used to improve an organization's financial health.

Section B

Report to the NPGL Board of Directors

NPGL's decision to move half of their sales online is a good one. It was only possible to serve customers in the city centres of Brighton, Birmingham, and Manchester. Although NPGL Power units may benefit from a more loyal customer base because of the high expenses involved with physical storefronts, new consumers are limited. NPGL Power Units may greatly expand their market and client base by focusing their web strategy on the United Kingdom, Europe, and the United States. On the other hand, it may be planning to reorganise its remaining offline facilities in order to better serve its local and long-term customers. There are two options for Mr NPGL: selling on Amazon or setting up his own internet business. Before making a final decision, the company weighed the potential financial repercussions of each option (Scott, 2019).

Start-up costs for NPGL are \$1 million, with an additional £100 per month for online firm operations. A full-time programmer at £35,000 per year was also on the table for consideration by the company's owners (White, 2019). An employee that requires constant supervision and guidance would only add to the burden of the company. Distribution costs must also be taken into account. The estimated cost of a delivery system for clients in Europe, the United Kingdom, and the United States is \$150,000. NPGL will undoubtedly need £295,000 in order to launch their own online store, which might result in increased profits for the company.

Alternatively, NPGL should keep in mind that if they decide to sell on Amazon, Amazon fulfilment expenses would be £5 million. NPGL aims to sell 65,000 units despite fierce competition from other Amazon merchants. However, since this quantity is mostly influenced by market demand, it is susceptible to change.

NPGL would need to spend £5 million to reach sales on Amazon, according to the statistics. The total cost of selling through this e-commerce behemoth is \$100,000. If NPGL chooses to sell on Amazon, their initial expenses will be cheaper. They are unlikely to earn the same amount of money as they would if they launched their own online corporation from beginning. On the other side, if a business decides to create its own online shop, sales and earnings may increase. As a consequence, they'll be able to handle every part of their business, from pricing to refunds to customer service. Mr. NPGL must do preliminary study before deciding where to offer his wares. He may make an educated business choice by weighing the advantages and disadvantages of both selling online and starting his own internet shop. Mr. NPGL should begin selling on Amazon for at least the first two years of his business. Accordingly, NPGL will get accurate feedback on the acceptance of the items in this market and adjust its marketing strategies accordingly to increase customer awareness and loyalty over time, despite expected competition in this seller business. In one to two years, Mr. NPGL may decide to launch an online marketplace just for NPGL Power units after developing a solid following among a select group of customers (Weetman, 2019).

Conclusion

The study's conclusions suggest that a management accounting system be implemented. Companies may use this application to keep track of their financial status and make smarter choices that enhance their bottom line. Management accountants get financial data in a variety of methods, which they then use to provide suggestions to business managers and owners.

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