

Nathaniel Allcock

15/05/2020

P150639

13:00 HRS

Management Innovation
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MSX01176

Section A

Q1)a)

Year	Net Project A	Cumulative Cash Flow
0	44,000	44,000
1	14,000	30,000
2	18,000	12,000
3	24,000	* 12,000
4	8,000	* 4,000

Payback = 3 years + x months

Calculation of month = Income Required / contribution per

Contribution per month = $24,000 / 12 = \underline{2,000}$ month

Calculation of month of payback = $12,000 / 2,000 = 6$ months

Payback Project A = 3 years + 6 months.

Year	Net Project B	Cumulative
0	33,000	33,000
1	11,250	21,750
2	9,750	12,000
3	12,000	0
4	16,000	16,000

Payback Project B =
3 years exactly

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Q1) b)

Annual Accounting Rate of Return

$$ARR = \frac{\text{Average Net Profit}}{\text{Average Investment}}$$

$$\text{Average Annual Profit} = \frac{\text{Total Profit over Investment Period}}{\text{Number of years}}$$

$$\text{Average Investment} = \frac{(\text{Book value at Year 1} + \text{Book value at end of useful life})}{2}$$

Project A

Net Profit after 4 years = £108,000

Cumulative total = £58,000

108 - 58 = 50,000 profit.

$$50,000 / 4 = £12,500$$

$$\text{Investment} = £44,000 / 4 = £11,000$$

$$\boxed{ARR} = \frac{12,500}{11,000} = \boxed{1.14} \approx \boxed{113.6\%}$$

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Q1)b) (cont.) Project B

Net Profit after 4 years = £82,000

Cumulative Total = £82,750 - 16,000
= £66,750

↑ year 4.

$$82,000 - 66,750 = £15,250$$

$$15,250 / 4 = £3812.50$$

$$\text{Investment} = 33,000 / 4 = 8250$$

$$\boxed{\text{ARR}} = \frac{3812.50}{8250} = 0.46 = \boxed{46.21\%}$$

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Q1) c) Net Present Value using 13% discount factor.

Project A

Year	<u>Net</u> Cash Flow	Discount Factor	<u>f</u> Present Value
0	44,000	1.000	44,000
1	14,000	0.885	12,390
2	18,000	0.783	14,094
3	24,000	0.693	16,632
4	8,000	0.613	4,904

Total Cash Flow = £92,020

$$\begin{aligned}\text{Net Present Value} &= \text{Total Cash Flow} - \text{Initial Investment} \\ &= £92,020 - £44,000 \\ \boxed{\text{NPR}} &= \boxed{£48,020}\end{aligned}$$

Project B

Year	<u>Net</u> Cash Flow	Discount Factor	<u>k</u> Present Value
0	33,000	1.000	33,000
1	11,250	0.885	9956.25
2	9,750	0.783	7634.25
3	12,000	0.693	8316
4	16,000	0.613	9808

TCF = 68714.5
In. Inv = 33,000

$$\begin{aligned}\text{NPR} &= \text{TCF} - \text{In. Inv} \\ &= 68714.5 - 33,000 = \boxed{£35,714.50}\end{aligned}$$

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Q1) d) I would select Project B. $\rightarrow$ less investment needed, pays back 6 months earlier and after 4 years when tooling is obsolete will have £16,000 cumulative.

Q1) e) internal rate of return is a discount rate that will make NPV equal to zero.

Project A $IRR = \underline{0.52}$
 $NPV = \text{£}48,000$
approx.

Project B

$NPV = \text{approx } \text{£}36,000$ $IRR = \underline{0.64}$

Q1) f) Two factors to consider ;

- External factors $\rightarrow$ exchange rates, interest rates, levels of inflation, world market situations.

Is additive technology eco-friendly or likely to be banned in future? Page 5 of 12

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Q1)f) cont.

2nd factor

o Motives for investment

(o)

→ include change in
technology and need to
grow the business
←

What are competitors such as 'Space-X'
doing?

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Section C

Q5/a)

Sponsorship

Type

Benefits

- | | |
|--|---|
| <ul style="list-style-type: none">o Programme Sponsorship
↳ tv, films, product placemento Arts Sponsorship
↳ venues / events
↳ competitionso Sponsorship of Individuals
↳ Celebrity / Professional endorsements. | <ul style="list-style-type: none">o Brand Awarenesso Target Market Audience
↳ certain demographics
↳ certain timeso Big visual impact on audience, if special event placing an add will be linked to that event in the persons memory e.g. Superbowl adverts / performances.o Appeal to customers who admire celebrities or personal qualities. Can also enhance brand image or appeal e.g. using David Beckham will make product / brand seem 'sporty'. |
|--|---|

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(5) a) (cont.)

Type

Benefit

Social Sponsorship
↳ promoting ethical
credentials

◦ Increased Awareness of
products + services

◦ Cost effective for reaching
a large audience

◦ Attracts distributors or agents
as 'being green' is a hot political
topic at present.

◦ Improve or maintain relationships
↳ if seen to be pro-active ~~and~~ in
reducing carbon footprint, this is
seen as being ethically correct.

Q5) b)

Develop a Strategy in order to gain
Sponsorship to fund the team in the next
Season; SoSTAC Model.

S = Situation analysis (where are we now?)

How much money have we got, what
can we offer? Social Awareness and
appeal. Current finances and goals.

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Q5b) (cont.) O - objectives (where do we want to go?)

↳ how much money do we need to run the team

↳ cost analysis of budget + spends

↳ who can we target?

↳ I would be inclined to use current riders and their appeal on social media e.g. university fb page etc. I would also visit the local dirt tracks and speak to the riders/organisers there.

S - Strategy (how do we get there?)

↳ develop sponsorship plan and size of target audience.

↳ I would visit local bike shops/garages colleges, universities and other businesses linked with extreme sports, mechanics or advertisers.

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(Q5b)(cont) T - tactics (the details of the strategy)

- ↳ Review Potential Sponsors and their history
- ↳ contacting routes, direct or through agency,

I would use social media, clothing companies, sticker companies and also previous reviews from ex-racers or ~~instru~~ instructors.

A - action (putting the plans to work)

- ↳ Approaches, explaining potential benefits
- ↳ I would have a clear business plan and deliver morning meetings to ensure marketing ~~and~~ team, financing team and rider management teams are all co-operating and functioning together

C - Control (monitoring + review)

- ↳ ~~Success~~ Success of gaining sponsorship
- ↳ working with sponsor to monitor the impact of sponsorship.

↳ I would have a weekly meeting with facts and figures ready for analysis.

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(Q5) c)

As part of the marketing mix, sponsorship ~~arrangements~~ arrangements can be expanded to include other elements. This could include additional benefits / offers such as free tickets to the motocross events or passenger rides from a professional. Other things which could be included are royalty deals, where the specific riders who ever will earn additional cash from merchandise sales, or sometimes cash from the use of the riders number to promote items. Other arrangements may also include competitions free entry into competitions or bike give-aways, public appearances, donations to charity or any other agreement or benefit which will improve the relationship between sponsor and the Swasea based motocross team.

(Q7) i)

Tactics = ask employees to sign contracts preventing escape of secrets. (NDA)

= patents for ideas / concepts

= ~~copyright~~ copyright infringements

= Sealed bid / Auction for contracts.

= Security clearance

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(Q7) 2) a) revised logo → copywrite the logo