

12/06/20

Exam

Q1.

a) Payback Supplement. 200,000 cap

year	Net	Cum Cashflow
0	-200,000	-200,000
1	20,000	-180,000
2	40,000	-140,000
3	60,000	-80,000
4	60,000	-20,000
5	60,000	+40,000

between 4 & 5

$$\frac{60,000}{12} = 5,000 \quad \frac{20}{5} = 4 \quad \underline{\underline{4 \text{ yr } 2 \text{ months}}}$$

fuse 41 CAP of 200,000

Tr	Net	Cum Cashflow
0	-200,000	-200,000
1	80,000	-120,000
2	60,000	-60,000
3	60,000	0
4	40,000	+40,000
5	40,000	+80,000

3 years exactly.

Centre 4 CAP of 200,000

yr	Net	Cum Cashflow
0	-200,000	-200,000
1	60,000	-140,000
2	60,000	-80,000
3	60,000	-20,000
4	60,000	+40,000
5	60,000	+100,000

between 3 & 4

$$\frac{60}{12} = 5,000 \quad \text{so} \quad \frac{40}{5} = 8 \quad \underline{\underline{3 \text{ years } 2 \text{ months}}}$$

1b) NPV

Supernant Yr	Cash	10% discount factor	NPV
0	-200,000	1	= -200,000
1	20	0.9091	= 18,182
2	40	0.8264	= 33,056
3	60	0.7513	= 45,078
4	60	0.6830	= 40,980
5	60	0.6210	= 37,260
			= 174,556

$$\text{NPV} = \text{Cash Flow} - \text{CAP}$$

$$= 174,556 - 200,000 = -25,444$$

Fuge 4/ Yr	Cash	10% factor	NPV
0	-200,000	* Same	= -200,000
1	80,000	as	= 72,728
2	60,000	above	= 49,584
3	60,000		= 45,078
4	40,000		= 27,320
5	40,000		= 24,840
			= 219,550

$$\text{NPV} = 219,550 - 200,000 = 19,550$$

Centre 4 Yr	Cash	10% factor	NPV
0	-200,000	* Same	= -200,000
1	60,000	as	= 54,546
2	"	above	= 49,584
3	"		= 45,078
4	"		= 40,980
5	"		= 37,260
			= 227,448

$$\text{NPV} = 227,448 - 200,000 = 27,448$$

1c) This is dependent on the needs of the company. It is between Fuze 41 and Centre 4 as both these are paid back on initial CAP investment quicker than Supernat. The difference being that although Fuze 41 achieves payback sooner the figures show that long-term Centre gives 20% more in year 5. Fuze 41 is best for quick return on investment, Centre 4 is better for more long-term profit according to calculations (~~forecast~~) forecast.

1d) Two factors which should be considered when making a decision to invest capital are as follows firstly, and most critical for business success are the global market considerations, where is the business trending, stock market position can be very influential on current/future business decisions. Recent example of those influential factors COVID19. In addition to assessing the global trend the company needs to assess their motivation behind the investment, emerging technology or improved performance from a key competitor is this forcing the investment? Sometimes the choice is not freely made as certain regulatory and legislative rules may have been newly introduced to which the company must adhere to to continue trading.

2) Why is change needed? - In order to succeed in business especially engineering which is a fast moving constantly changing sector a company must adapt to trend and new technology, or

risk being left behind, if you are not moving forward you are at risk of losing Client Confidence.

Two key factors that breed a need for change Internal & External. The biggest internal factor is an ageing workforce, which accompanies a set in their ways attitude, often employees with a lengthy service record and resistance or reluctant to change they see a new career telling the Home to do their own job. They can feel threatened or even scared by introduction of newer technology. There are ways to overcome this by giving the employee a sense of responsibility rather than manually inputting records of stock changes the Computer system will track these automatically. freeing up their time for more satisfactory / worthwhile roles. This motivation to better themselves ties in with Maslow's hierarchy of needs Model of Self actualisation employees are given the tools to develop and grow in the Specialisation. Herzberg's model with Hygiene factors for promoting motivation included the need to provide meaningful work for all positions. By introducing the new SAP system mundane activities can be eliminated, leading into Herzberg's motivation factors this allows employer to give responsibility to the team, providing opportunity to progress in the Company additional training given.

Considering the external factors customers want their product or service as quickly and efficiently as possible by moving to a Computer based system, we can ensure a faster processing time and also a better system of traceability. So any issues with stock or delivery can be resolved swiftly and with greater satisfaction to

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the customer. From an external audit perspective this process can be streamlined with a Computer based System rather than sifting through stacks of paper records. If the company is constantly making stock loss corrections they are losing money a computer based system would reduce the frequency of these corrections and also enable a addition immediate in the required areas sector. So main benefits from a monetary side is that stock can be controlled more accurately and efficiently saving both time and money. Electronic Stock Control also benefits companies which use global distribution hubs reports can be generated to assess stock levels worldwide and forecast any coming short falls before they occur. Some points to note are that reliance on a Computer System should not to absolute backups should be made regularly intervals and stored according to local legislation. Additional training will be required at most levels although this takes time and at a cost to the company in the short term the longer term benefits are outweighed by these, the workforce can operate at a higher level overall with a much greater level of job satisfaction to ensure a longer term commitment to the role.

- 3) Factors to consider when setting number of staff. Training co-workers to perform colleagues duties is common practice for employers this gives them greater flexibility in workloads and resource planning. This is a benefit but may be seen by the work force as a negative, a

Threat to their Jobs Security.

Factors to Consider

- Job Security
- Fear of the unknown.
- Doing more work for same monetary reward.

Mitigation of Concerns

- Empowerment of worker
Greater flexibility in roles and responsibility.
- Full training to be provided
Coaching available.
- Greater opportunities for advancement knowing more.

Leadership - I would focus on a transformational style of leadership which focuses on high level promoting commitment and motivation, Yukl (2006) explains the benefits of the style by:

- Explain a clear vision for the team to follow
- Explain the way to achieve this goal.
- Be confident and express confidence in the team
- Provide opportunities to succeed.
- Celebrate the success as you go. Encourage people to achieve.

≡ People are resistant to change by nature but by employing a leadership style which incorporates the encouraging and supportive culture, the benefits can be clearly seen.