

please improve on Format and presentation.

19
25^m

Cantor (Jun 2014 Q1)

Report

26 April 2017

From: Consultant (strategic management accountant)

To: The CEO of Cantor ✓

Date:

Subject: Reporting on current report format and the recommendation for additional performance measure to be reported.

Introduction:

(i) Generally speaking, we can say "What gets measured gets done". However, the current performance report did not measure sufficient performance as follows:

- There is no words and difficult to understand for top management ✓ 1m
- There is no growth rate of revenue or profit after tax, no information of ROCE, EPS, or other profitability ratio, in order to link "maximisation of shareholder wealth" ✓ 1m
- There is no Statement of financial position and can not evaluate liquidity or debt/equity ratio. ✓ 1m
- There is no cash flow statement and can not see life cycle cost or net present value of cash-in flow
- There is no measure for the mission statement of "supplying good value food and drink" or "appealing environments for our customers" in this report. ✓ 1m

In order to improve the above problem, we can do the following improvements:

Showing in paragraphs without the points will be preferred as you are writing a formal report.

no need to write

(i) Cont

- There should be summary of each performance which is linked to the mission statements in order to make better decision by top management.
- Maximisation of shareholder wealth is need for both long term as well as short term. Cafe is already successful business but will not be expanded significantly. That's why Cafe performance measure ~~should be~~ such market share or market growth rate should be included to understand current position for long term vision. ✓ 1m
- Cantor should attach the statement of financial position with the report for the year as well as previous year in order to evaluate liquidity or debt/equity ratio and understand any change year by year. ✓ 2m
- There must be initial investment for each business (Cafe and Juicy) and Cantor should also analyse the life cycle cash flow. Even though there is profit, we should collect ~~the~~ NPV for this investment. ✓ 2m
- Cantor should include ~~the~~ Non-financial measure such as the number of repeating of each customer, the number of customer per each shop of Cafe or Juicy. ✓ 1m

(ii) CEO's two key costs

CEO focus^{on} the key costs of "staff" and "property". ✓

Staff

staff cost in Cafe and Juicy is semi-variable cost. Some staffs are working in indirect department such as administration or accounting and ~~the~~ they

(ii) ~~cont~~

are usually fixed cost as long as they can control and manage their jobs. On the other hand, the staff works in the shops is variable cost because the cost increased when the number of shops increased. ✓ 2m

Both Cafe and Juicey should control the part of fixed cost to reduce properly. Cafe will not expand the business significantly, but Juicey will. So Juicey have a risk to hire too many staff with fixed cost. With using temporarily staff or part-time worker, Juicey can change the nature of cost from fixed to variable. ✓ 2m

Property

Cafe rent their property with a five-year lease at fixed cost while Juicey rent for its site with percentage of the revenue generated at each site which means variable cost in Juicey. ✓ 1m

Cafe is mature business and will not expand significant in few years, so the fixed cost is appropriate for Cafe. ✓
For Juicey, the variable cost is appropriate by when their business become stable and they can generate profit continuously. ✓ Juicey need to decide the timing and should negotiate, for example, the maximum rent fee with the owner of building to control their rent cost. ✓ 2m