



UNIVERSITY
OF
JOHANNESBURG

Department of Finance and Investment Management

MANAGEMENT ACCOUNTING STRATEGY FNB14X7

LAST ASSESSMENT OPPORTUNITY

Scenario based questions

21 November 2016

Time 3 hours 15 minutes (195 minutes)

Marks: 100

Internal Assessor: Mrs Adele Oosthuizen (UJ)
Internal Moderator: Mr Kevin Thomas (UJ)
External Moderator: Mr Alick Burger (NWU)

INSTRUCTIONS:

- This section of the paper consists of 7 pages, including the cover page.
- Remove the password from all the files (File / Protect Document / Encrypt with password).
- Answer all questions on the word template provided on u-Link.
- Silent, non-programmable calculators may be used.
- You are allowed 15 minutes reading time at the start of the exam. The purpose of the reading time is to allow you an opportunity to read through the paper and to do answer planning.
- You are also allocated 5 minutes to upload your answers to u-Link.
- The printed question paper **MUST** be handed in at the end of the exam.
- Objective test questions are separately loaded onto the u-Link Last Assessment Opportunity folder.

Question	Topic	Marks	Time
	Reading and uploading time	--	20 minutes
1	Case study: Glory Soccer Club	50	90 minutes
2	Scenario question:	25	45 minutes
		75	155 minutes

QUESTION ONE

[50 MARKS]

Glory Soccer Club

Un-seen material

You are provided with the unseen case material below. This unseen case material should be read in conjunction with the pre-seen material (including appendices) in answering the required for question one.

PART A

On arrival at the office this morning, you found the following e-mail in your inbox.

From: Martyn Morris, CEO
To: Senior Financial Manager
Date: 21/11/16
Subject: Performance of the Youth Academy

Hello,

At our board meeting yesterday afternoon concerns were raised regarding the inability of our youth team in recent years to produce any strong talent. Comments were made that the programme is a waste of money and that we are being left behind our rivals in this area. Some board members thought that the money could be spent better elsewhere.

Viktor Lenz suggested that we commission an investigation which points to the Chief Scout's incompetence as the root cause. He has said that we have missed our KPI of developing 2 very strong players in each of the last two years. He believes that a clear path of blame needs to be laid so that the organisation can replace the Chief Scout and move on. However, I feel that these two individuals do not share the best of relationships and that this may not be the right action.

As far as I am aware, the Chief Scout is said to be a good leader and an exceptional developer of youth. However, I do agree that this lack of performance is both disappointing and detrimental to our business long term. I would like us to get to the bottom of what is actually going on.

Once you have spoken to the Chief Scout about this I want you to e-mail me with your thoughts on the following:

- I want to understand the real situation with our Academy, and how this could impact on our strategic position;
- I want to understand the ethical impact and effect on the motivation if we were to reprimand the chief scout; and
- Please can you provide the options and clear recommendations on the best way to proceed? Importantly, I need to be clear on how to lead the situation from where we are now to where we need to be.

I need your response ASAP, because we have a follow up meeting to discuss the Youth Academy this afternoon.

Martyn

QUESTION ONE (Continued)

Notes from your conversation with the Chief Scout:

Subsequent to reading the e-mail above you phoned the Chief Scout to ascertain possible reasons for the Academy's poor performance in the last two years. His comments were:

"In 2015 and 2016, the output of the Youth Academy has suffered. Whilst I understand that it is the responsibility of my Youth Academy to ensure that players are developed to the strongest level possible with the required resources, unfortunately we still have to do this under the constraints and with the 'raw materials' that we are given. I believe that the current situation has been proven to be out of both mine and my local management's control and I have vented my frustration on a number of occasions.

We have been forced to reduce our catchment area for the scouting of youngsters in the last 2 years which reduces the likelihood we will find talent prior to our competitors securing their services. Unfortunately, we do not have any control over how much funding we are allocated or in which areas we are allowed to scout – this is decided by Viktor. We have suffered a reduction in funding (from V\$15m in 2014 to V\$8m in 2016). It is unrealistic to expect that we can do the same job as we did in 2014 with a reduced budget.

Instead, the focus has been on the acquisition of players from the European clubs, which does not pave the way for the development of youth. I raised my concerns with Viktor who keeps reminding me that big signings are critical to ensuring that we are able to reap large sponsorship deals.

However, I do think if you compare our ethos on youth to that of the European clubs such as Mantrey, we are far more reliant on buying in rather than developing our talent internally."

REQUIRED:

Send an email to Martyn in which you:

- 1.1 **Explain** in your own words what the main causes of the issues faced by the Academy are. (4 marks)
- 1.2 **Discuss** the strategic implications that the issues currently faced by the Youth Academy may have on Glory Soccer Club. (8 marks)
- 1.3 **Explain** the ethical implications and motivational effect that a decision to reprimand the Chief Scout may have on Glory Soccer Club. (8 marks)
- 1.4 **Evaluate** and **recommend** on the actions that Glory should take to resolve the issues concerning youth development and the Chief Scout. Your recommendations should include but not be limited to providing guidance on how management should lead the situation going forward. (10 marks)

Total- Part A = 30 marks

QUESTION ONE (Continued)

PART B

While in the meeting, Martyn send you the following e-mail

From: Martyn Morris, CEO
To: Senior Financial Manager
Date: 21/11/16
Subject: Performance of the Youth Academy

Hello,

Thanks for your prompt response to my e-mail this morning. I am delighted to report that the issues with regards to reprimanding the Chief Scout are to some extent resolved.

However, this whole debacle has once again highlighted the practical failure of our performance management system. I previously suggested that Glory implement a Balanced Scorecard (BSC) approach, this suggestion was however met with a lot of hostility. The board felt that the approach was not appropriate for a soccer club and that even if it was that the costs would outweigh the benefits.

I do think that now would be the opportune time to highlight its benefits to the board. An acquaintance of mine at a European soccer club told me that they recently implemented a BSC with great success. He sent me the template that they have used to develop their BSC.

The board has allowed me time to present the benefits of a BSC approach within the next hour. Unfortunately I will not have time to prepare for this presentation and I therefore need you to urgently assist me with the following:

- I want you to use the attached template to prepare a BSC for the Youth Academy. The purpose is just to demonstrate its application and you therefore only need to provide me with one relevant KPI for each perspective;
- In addition I want you to provide me with an explanation of how the BSC could be used to manage the performance and rewards of managers, such as the Chief Scout.

Please also be on standby should the board have any questions regarding your proposal.

Thanks

Martyn

QUESTION ONE (Continued)

Attachment – Template for developing a Balance Scorecard

[I provided an example, to assist you when preparing the template for each perspective, including the financial perspective] -

Objective/CSF	Measures/KPI	Target	Justification
Financial perspective			
Example			
Sponsorship income	Number of sponsorship agreements	Sign one new sponsorship agreement for the Youth Academy	Amid budget cuts funding is currently a constraint for the Youth Academy. Sponsorships may provide the academy with the necessary funds to develop strong players
Customer perspective			
Internal business perspective			
Learning and growth			

REQUIRED:

- 1.5 Using the templated provided, **demonstrate** how the Balanced Scorecard (BSC) could be used to assess the performance of the Youth Academy. **(16 marks)**
- 1.6 **Prepare a motivation on** how the BSC can be used by Glory Soccer Club to measure the performance and to reward managers, such as the Chief Scout. **(4 marks)**

Total for Part B = 20 marks

[TOTAL FOR QUESTION ONE = 50 MARKS]

QUESTION TWO

[25 MARKS]

Maxi Travel (MT) is a family owned travel agent, specialising in luxury holidays. It operates 10 travel agency branches located in the major cities in South Africa. MT does not take online bookings but does have a website for informational and promotional purposes. The agency achieved steady growth until five years ago, when it found that its market share was eroding due to holidaymakers preferring to make their own online holiday bookings. Such bookings for holidays, both through online travel agents or through independent channels have increased dramatically in recent years. Many holidaymakers find the speed and convenience of booking flights, accommodation or complete holidays online outweighs the benefits of discussing holiday alternatives with staff in a travel agency branch.

The owners of MT are however convinced that there is still a huge demand for a personal booking experience for luxury holidays, especially amongst older and wealthier holiday makers. Market research conducted by The South African Tourism Board also indicated that international tourists prefer to book their holiday through a travel agent to minimise the risk of being "scammed". In order to win business, a decision was taken to develop its in-branch expertise and improve its level of customer service, so as to provide a unique selling point in the luxury holiday market.

MT employs 60 full-time equivalent staff. Staff turnover at MT is low. High performance rewards in terms of bonuses are currently paid to staff in each branch if they meet or exceed branch quarterly sales targets, which are set by the Board. MT's branch staff appreciate the high level of bonuses offered, and this has resulted in high staff loyalty to MT.

Changes that have been made to MT's services or to working arrangements have always been introduced gradually and have generally had a low impact upon MT's branch staff. Previously the Board of MT has never involved staff directly in any change decisions it has made. MT's Board is concerned that a decline in customer service may affect its survival in this highly competitive market place, particularly in the light of online competition. The Board of MT has not yet announced what it intends to do but it has decided to implement with immediate effect, the following three changes in order to improve its customer service levels:

1. A change to the current bonus system whereby bonuses will be based upon achievement of targeted levels of customer service. This is to encourage its staff to strengthen its focus on customer satisfaction levels, rather than on branch sales targets.
2. A test every 6 months, which all branch staff must undertake, to assess their level of product knowledge and customer service skills. Those staff not meeting the required level of performance will have to undertake additional training or they will not receive their annual pay increase (which is additional to the bonuses earned by branch staff).
3. A system of short-term placements through which branch staff will be expected to work in other branches and at Head Office in order to gain experience and a better understanding of MT's overall operations and activities. This may involve branch staff having to travel or to stay away from home for periods of time.

QUESTION TWO (Continued)

There have been a number of rumours circulating around all of MT's staff about these proposed changes. Many branch staff are very unhappy that they have not been consulted about them. Most of the branch managers support the changes and believe that they are necessary but recognise that effective leadership will be critical if they are to be successfully implemented.

[CIMA – ADAPTED]

REQUIRED:

- 2.1 **Explain** the type of change which is being proposed by MT's Board, in terms of its speed of implementation and extent. (4 marks)
- 2.2 Using Lewin's Force Field Analysis model, **discuss** the driving forces and the restraining forces for change in MT.
Note: You are NOT required to draw the Force Field Analysis model. (6 marks)
- 2.3 **Recommend**, with reasons, change management activities that will be required for **each** of the THREE proposed changes in order to deliver improved customer service levels. (9 marks)
- 2.4 **Explain** using three examples how MT could use Web2.0 technologies to enhance customer relationship marketing (CRM). (6 marks)

[TOTAL FOR QUESTION TWO = 25 MARKS]