Report on Financial Performance Analysis and Key Finance Principles

Instructions

Summary

Write a 2000-word report based on the provided context scenario, financial information and ratios. Conduct a peer analysis of a competitor company of your choosing and the given case study company. Consider all relevant financial principles, concepts and theories. Conduct the necessary financial analysis using appropriate techniques, tools and frameworks. Make decisions and recommendations based on the analysis and consider ethical implications and limitations.

Learning Outcomes

Demonstrate understanding of core contemporary financial management theory, techniques and practice.

Critically evaluate and effectively communicate recommendations to address financial management issues.

Apply financial management theory and techniques to professional practice in an ethical manner.

Task

Context

You are part of the management team of Amazing Lounge Pty Ltd (AL Pty Ltd). AL Pty Ltd is a private company specialising in the retailing of high-end home furniture. During the annual strategic review for 2021, a key focus is on analysing the financial performance of the company and mapping its growth pathway for the next 5 years. Financial information and ratios for the past 5 years have been calculated and provided to the management team.

The company has been investing substantially in capital projects and building its stock in the last few years. The Vice President (VP) of Operations is very keen to keep increasing the stock level as it provides a wide range of goods available for sale, and to continue spending on capital by opening new stores (the company has limited online presence to-date).

Print version: AL Pty Ltd Financial Ratios 2016-2020

Written Report

Write a report for the management team that addresses points 1 to 5 below:

Comment on the performance trends for current ratio and return on total assets of AL Pty Ltd using the ratios provided and noting 2020 was impacted by COVID-19 lock-downs. AL Pty Ltd operates in the furniture retail industry. Choose another company in the same industry, preferably a publicly listed company with easy access to the required relevant financial information. Using the DuPont Method, provide a critical analysis of AL Pty Ltd’s Return on Equity performance for the last 5 years relative to the competitor you have chosen. Please complete the analysis using publicly available data for the competitor (e.g. IBISWorld and/or annual reports).

Comment on the view taken by the VP of Operations that the company should be increasing stock level and opening new stores. Take into account all key finance principles, concepts and theories which are relevant. Also, 2020 was not a good year for AL Pty Ltd and 2021 started quite slow with the business seeing a large number of returns of furniture (refunds). The VP of Operations has proposed that these refunds be posted in the 2022 results to give some breathing space for 2021. Discuss the ethical implications of this proposal from the VP of Operations.

One of the suggestions from the CEO is to consider floating the company to raise capital. Evaluate the pros and cons of listing the company and becoming public.

Identify and discuss the limitations of your analysis.

Based on your analysis and discussion, make recommendations as to whether AL Pty Ltd should continue on the same trajectory and whether listing the company would be beneficial. Suggest other alternative growth options for the company as well.

Procedures

Your report should be presented in a report format following the AIB Style Guide. Please use the AIB Report Template document to format your report.

Please refer to the 8006FMGT Assessment Exemplar for how to structure your presentation and arguments in this assessment. In each section of your report, please define the financial concepts and/or critical theories before calculations/analyses.

The required word length for this report is 2,000 words (plus 10% tolerance, excluding tables and reference list). Please focus on analysis and interpretation of the data, addressing implications, and providing suggestions/recommendations where possible linked to your analysis and supported by relevant financial principles, concepts and/or theoretical frameworks.

We have provided a PDF Formula Sheet of all relevant formulas from the textbook.

To support your arguments, you are required to use at least five (5) relevant and credible references for this report (in addition to the sources of data for the competitor you choose to focus on in element 1 above).

As per the AIB Style Guide, your references must be from credible sources such as academic journal articles, academic texts, professional/industry-related journals, government reports and formal company documents. Ideally, relevant academic journal articles should be used for academic discussion.

For the guidelines on the Harvard Referencing Style used at AIB for in-text citations and the reference list, check the AIB Style Guide.

Grading criteria and feedback

Your assessment will be marked according to the following grading criteria:

Understanding of financial principles, concepts and theories - 20%

Analysis (trend and peer) of the company and its competitor - 30%

Discussion of ethical considerations of the proposal - 10%

Evaluation of business structures - 10%

Decisions regarding implications, limitations and recommendations - 20%

In-text citations and referencing - 5%

Communication, presentation, structure and language - 5%