



Round 1 Business Simulation

Simulation Guide



The views of previous Universities Business Challenge Participants:



"It is a great opportunity to work in a team and build on personal skills. A lot was learned that can be carried forward to a real business environment, from making strategic decisions to working under strict time management. It was also an excellent experience going to the RBS headquarters. Overall I would like to thank everyone in the UBC team for hosting the competition and it was fantastic challenge that my team and I thoroughly enjoyed".

Alex Marr, Team Leader, Leeds Metropolitan University

"The Business Challenge is an excellent chance to experience the highs and lows of team work and to learn how to manage a successful company". Durham University

"I really enjoyed working on the UBC. It helped me put a lot of the business theory I was learning into practice, and it's a good thing to have on your CV as well. I would definitely recommend it to other business students". Oxford Brookes University

"I think it was good practice, actually trying to put some of the theory learnt from business courses into practical use. I also think it was good working in teams and making decisions together. People should enter if they would like some more practical style experience".

Birmingham University

"The challenge is an all-round excellent experience. It's been extremely useful for gaining a clearer understanding of the key elements of running a business and particularly helpful for getting to grips with financial information, an area I've always been intimidated by previously. It has also been very rewarding on a personal level, through working within a great team and the excitement of getting good results. I would definitely recommend it to anybody with an interest in fun and business". Lancaster University

"I think that the UBC is great because it is the closest thing to gaining real experience in operational and strategic corporate management. I gained more insight into the complexities of competitive management, a better team working ability and improved time management skills".

Sheffield University

"We really enjoyed the UBC and found that it gave us a deeper insight into the workings of a business by allowing us to apply out learnt theories, while also learning the market responsiveness of our decisions. We found it great fun and also helped us bond together as a team". Bournemouth University

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Section 1 | Introduction

Welcome to the Universities Business Challenge. Over the following pages of this Simulation Guide we will take you through the essential elements and nice-to-know aspects that will hopefully help you to take part successfully in this business challenge.

This section will explain the framework and objectives of the competition. We will then move on in subsequent Sections to detail specific requirements and provide guidelines that should assist you in making your business decisions and running your Company.

So what is it all about?

Who are you?

In this context, you and your team members are a board of directors who have been employed to improve the business performance of a medium-sized business.



What do you have to do?

For the duration of this business challenge you and your team members will work together, making the key decisions which ultimately will determine the success of the business. You will work in an existing company, with a reputation in the marketplace, a workforce, manufacturing facilities, suppliers and an outstanding bank loan amongst other things.

The decisions that you will be making throughout the competition will require you to balance management controls, such as cost reduction, with more creative investment decisions, perhaps in product development or marketing activities.

You and your team members are a board of directors who have been employed to improve the business performance of a medium-sized business



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You will need to keep your customers happy by fulfilling their orders and to do that you will need to ensure that you have the correct levels of resources to make and pay for your production requirements.

You may also find that your suppliers are not always as co-operative as you would wish and there is always the matter of the bank manager to deal with.

What are your objectives?

There are two possible answers to this question. Firstly, from the perspective of a team entering the Universities Business Challenge, there are probably a number of reasons why you may have entered the competition. From increasing your own business and commercial awareness to building a cross-functional team or it may be that you want to improve your employability and enterprise skills. Whatever the reasons, we are sure that throughout the challenge you and your team members will learn a great deal about business, will undoubtedly learn a great deal about each other and, hopefully, you will all have a great deal of fun along the way.

The second answer relates to your team objectives resulting from your newly acquired management responsibilities.

The task has been clearly set down by the Chairman of your Company – “*Manage the business effectively, to the satisfaction of all the stakeholders.*” This will require you to establish a strategy for your Company at the same time as coping with short-term tactical pressures in your marketplace and the economy in general. Ultimately, you must ensure that you satisfy your customers and motivate your employees and by the way, the Chairman would also like to see an increase in the profits – to an all-time high.

Whatever your team strategy each set of trading decisions that you submit will be equivalent to approximately six months in the life of your Company, so you will have plenty of time to make or break it.

What will everyone else be doing?

Very much the same as you. All the teams within the competition will be operating their own companies making the same types of decisions based on exactly the same start position as you. You will compete against all the other companies in your group, forming a team interactive marketplace. You will not be pitting your wits against a computer but against other teams.

Each company will manufacture the same two products and endeavor to sell them into a number of markets over a pre-determined set of 'Trading Periods'. The number of 'Trading Periods' in the Round will be announced separately, so please check.

All the companies may be making the same categories of trading decisions but you will all very probably have different strategies at different times during the competition. These strategies may or may not influence the content and direction of your decisions but it will be up to your team to decide whether or not to pile 'em high and sell 'em cheap, expand your manufacturing facilities, pay off the bank loan or pour your cash into differentiators such as marketing or product development.

Whatever your team strategy each set of trading decisions that you submit will be equivalent to approximately six months in the life of your Company, so you will have plenty of time to make or break it.

How does it all work?

At the start your team will be allocated a unique Game Code and Company Number. These will be used to identify your team throughout the Round.

You may also wish to assume a team identity in your new role and you will therefore be able to choose an appropriate Team Name.

A 'Start Position' Management Report will be issued to you detailing the status of various functional aspects of the Company you are running. For example, previous selling prices will be provided, stocks of materials, current production capacities, your financial position in terms of Profit and Loss and any marketing, product development or cost reduction investments that have been made.

Making and submitting decisions

In Appendix B of this Guide you will find an example Decision Form that shows the decisions you will submit via the UBC website in accordance with the timetable.

Full details of how to complete the form are included in Section 9 of this Simulation Guide and also on the simulation website. The length of time your team take in reaching your decisions is entirely up to you. Feedback from previous participants indicates a range between 30 minutes to half a day. This is obviously different for ‘live’ events, where each decision period is strictly timed.

At the start a set of ‘Trial Decisions’ will be introduced just to get you used to the various guidelines, the sensitivities of the market or even your fellow competitors’ ‘apparent’ strategies. The trial is optional and is purely for practice and are not included as part of the final results.

Once your Decision Form is submitted, whether for a trial or a real set of decisions, a Management Report will be generated for your Company and this will form the basis of your next set of decisions.

Remembering that each set of Decisions is equivalent to six months there are bound to be changes in your various markets and the general economy during that time. To keep you up to date with the prevailing market, Business Environment & Breaking News will be circulated to add a further touch of reality. In addition, the updates may also carry news from your marketeers or even your bankers, so ignore them at your peril.

From time to time the balance sheets for all the companies in your marketplace will be issued or available for purchase so you will be able to see how you are performing in relation to the competition.

So who wins?

The Profit figure as reported in your final Trading Period's Profit and Loss Account will be a major factor in the adjudication of the winning team. However, the ultimate winners will be the team that has lived up to the task set down by the simulation management team. This may be based on, stakeholder satisfaction, share price, return on investment as well as the best bottom-line results.

Full details of the final adjudication criteria will be published on the simulation website at the start of the competition, so please check.



Section 2 | Production

At the start of your first Trading Period your Company has a total manufacturing capability of 550,000 CAPACITY UNITS from 55 sets of PLANT – (each with 10,000 capacity units).

Introduction

The Company that you have just taken over manufactures two products – **Product ‘Alpha’** and **Product ‘Delta’**.

Both products are similar in design and production methods and therefore use the same :

- **PLANT** (machinery and manufacturing facilities)
- **LABOUR** (the workforce directly employed in producing the products)
- **MATERIALS** (raw and processed materials, components or assemblies)

Plant and Manufacturing Capacity

At the start of your first Trading Period your Company has a total manufacturing capability of **550,000 CAPACITY UNITS** from **55 sets of PLANT** – (each with 10,000 capacity units).

Naturally, after a period of time, each set of Plant suffers wear and tear and is unable to maintain acceptable tolerances to produce your usual quality of products. It is therefore scrapped. This will occur after the Plant has been in use for **10 Trading Periods**.

The cost of dismantling and removing the Plant is only just covered by the scrap value you receive and therefore, there is no residual value. In addition, unfortunately, there is no market for second-hand Plant in your industry.

Your predecessors had been acquiring Plant over previous years and Table 1.1 overleaf indicates the timetable for scrapping Plant from your Company.

However, to ensure that your production capacity doesn't decline to nothing, provided you can afford it, you are able to buy replacement Plant.

New Plant with **10,000 capacity units each** will cost you **£65,000**. Only whole 10,000 units of capacity may be purchased and the payment must be paid in the Trading Period in which the order for the Plant is placed.

Note that although you have paid upfront for the new Plant, it will only be delivered and ready for use in the following Trading Period.

Depreciation on the new machinery and facilities will also only be charged from the start of the next Trading Period when the Plant has been installed and the new production capacity is available for you to use.

Depreciation at the rate of 10% of the original cost of the Plant is charged each Trading Period (for 10 Trading Periods) so that the book value of the Plant is NIL when it is scrapped.

Excess Plant can also be permanently decommissioned. This means that the Plant is taken out of use, thus reducing the Fixed Production Costs for the subsequent Trading Periods. However, once decommissioned the Plant cannot be used again. The Book Value of the Plant remains unchanged and is written off in the usual way.

(This action can be achieved by indicating the number of Plant that you wish to be decommissioned in the appropriate box on the Decision Form. Each set of Plant to be decommissioned will have a capacity of 10,000 Units therefore indicating 010 on Line L of the Decision Form will decommission 10 Plant (100,000 Capacity Units), 020 will decommission 20 Plant (200,000 Capacity Units), etc.

Installed Plant Table 1.1

Trading Period No	Capacity at Start of Trading Period	Book Value at Start of Trading Period	Depreciation for the Trading Period	Book Value at End of Trading Period	Capacity at End of Trading Period
1	550,000	2,535,000	357,500	2,177,500	550,000
2	550,000	2,177,500	357,500	1,820,000	500,000
3	500,000	1,820,000	325,000	1,495,000	500,000
4	500,000	1,495,000	325,000	1,170,000	400,000
5	400,000	1,170,000	260,000	910,000	400,000
6	400,000	910,000	260,000	650,000	300,000
7	300,000	650,000	195,000	455,000	300,000
8	300,000	455,000	195,000	260,000	200,000
9	200,000	260,000	130,000	130,000	200,000
10	200,000	130,000	130,000	nil	nil

Note: Plant is scrapped at the end of even-numbered Trading Periods.

Labour

Historically, your directly employed workforce has always been up to the task of producing your products in terms of both availability and skills.

Regardless of the Capacity Units available at your factory and irrespective of the products being produced your employees have served you loyally and produced quality products. It is hoped that this fortunate situation will continue under your management.

Materials

All of the raw and processed materials, component parts and sub-assembled units for your products are grouped together and categorised as **Materials Units**

- Production of each Product Alpha requires **ONE** Materials Unit
- Production of each Product Delta requires **TWO** Materials Units

Your requirements for materials will obviously fluctuate throughout the Trading Periods and you will be able to purchase new Materials Units in **multiples of 1,000**. The price for the Materials Units for the following Trading Periods will be indicated within the Company Management Report you will receive and any Economic or Marketplace Newsflashes that are issued.

Unfortunately, your predecessors were less than reliable in their payments to their material supplier and therefore payment for Materials Units must be made in the Trading Period in which the units are ordered.

Even more unfortunately, you have a monopoly materials supplier at the moment and customer care does not feature high on his list of priorities. He can only guarantee to supply 75% of the Materials Units that you order in the next Trading Period. Whilst you will receive the remaining 25% at some time you, will need to remember this when calculating what level of Materials Units you need to order. You will also need to take into account that you may be carrying stocks of Materials Units.



Quantity of Products Produced

How much your Company produces of Product Alpha and Product Delta in any particular Trading Period is your management decision in line with your strategy. However, you are subject to the following constraints:

- One Capacity Unit, one Labour Unit and one Materials Unit are required to produce **ONE** Product Alpha.
- Two Capacity Units, two Labour Units and **TWO** Materials Units are required to produce one Product Delta.
- Both products are made in *batches of 1,000* saleable products and currently rejects are not a problem for your Company.
- Any quantity of either Product may be manufactured in multiples of 1,000 up to the limit of your Company's Capacity Units available and Materials Units limit.
- Production in any Trading Period is limited to a maximum requirement for Materials Units equal to the 'Stock of Materials Brought Forward' (indicated in your Management Report) at the beginning of the Trading Period plus the 75% of the Materials Units purchased in the same Trading Period (to the nearest 1,000 rounded down).
- Production of your Delta Product will always be given priority and therefore the Capacity Units and Materials Units will be allocated to make Product Delta *first*. Only the balance of Capacity Units and Materials Units will be subsequently allocated to manufacture Product Alpha.

Note: The above is critical information. If you fail to produce what you planned to produce, it will almost certainly be because you have forgotten one of these factors.

Product Development Investments

Depending on your cash flow situation and your strategy, you may wish to invest cash in any Trading Period for Product Development purposes. By allocating monetary resources to such initiatives you may be able to make both Product Alpha and Delta more attractive to their markets.

The result of a successful Product Development initiative will be to cause your Company's share of the 'Total Market for the Product' (indicated in your Company Management Report) to be greater than it would otherwise have been.

However, it is worth noting the following:

- Success is not 100% guaranteed in each Trading Period. Investments in Product Development do not always produce the benefits envisaged and there is an amount of uncertainty in initiatives of such a nature.
- While Product Development impact will be a random factor it will be the same for **all** Companies in the marketplace.
- The benefits achieved, if any, in the Trading Period will be determined by two principal factors:
 - 1)** How much you have invested in the Trading Period
 - 2)** Average investment made to date
- The benefit will be expressed as a % for each Product.
- The % increase, if any, in attractiveness of your Products to the Market will be added to any achieved in previous Trading Periods and the cumulative total % to be applied to the next Trading period will be indicated in your Company Management Report.
- If and when your Products reach between **10%–14%** your Company will achieve a 'Super-Product' status and the % achieved will be reset to **15%**.
- If further investments raise the % achieved to between **25%–34%** a further 'Super-Plus Product' status will be reached and the % achieved will be set to **35%**

It goes without saying, that despite the random nature of the benefits, if you make no investments in Product Development within a Trading Period – no extra benefit whatsoever will be achieved by your Company in that Trading Period.

Product Image

This factor relates to your Company's competence at matching its production and marketing effort and it will be further explained in Section 4 of the Guide regarding Markets and Marketing. This is very important and has some major implications so watch out for it.

Sequence of Supply

The Products that are available from your factory will be used to meet orders in the following sequence: (See Section 4, Markets and Marketing, for a full explanation of the markets into which your Company is selling).

- 1. Contract Orders**
- 2. Industrial Market Orders**
- 3. Wholesale Orders**
- 4. Additional Sales Orders – Industrial Market**
- 5. Additional Sales Orders – Wholesalers**

Section 3 | Production and Stock costs



Labour

The cost per Unit of Labour for the employees in your factory will be indicated in your Company Management Report under 'Data for Next Trading Period'. You will then be able to calculate, depending on your production requirements, how much Labour you will need

Remember: It takes TWO units of Labour to make one Product Delta and only ONE to make Product Alpha.

Materials

As with the Labour costs, the Materials Units buying price for the next Trading period will be indicated in your Company Management Report.

Materials Units used will be valued at the average price of stocks brought forward plus purchases in the current Trading Period.

- The Materials Unit cost for Product Alpha will be the value of **one** Materials Unit.
- For Product Delta the value will be **two** Materials Units.

Fixed Costs

Production Fixed Costs include such items as Rates, Rent etc and are dependent on *total* capacity. They are written-off in the Profit and Loss (P&L) Account for the Trading Period in which they were incurred.

For a given capacity these costs remain the same, irrespective of the quantities actually produced, including zero production.

Note that your fixed costs are based on your production capacity and **NOT** on what you actually produce. If you invest in extra capacity by buying new plant, it will impact directly on your fixed costs, so take a look at this before you buy new plant.

The Production Fixed Costs for the Trading Period will be calculated in the following way:

The Fixed Costs of Production per Unit of capacity (C) multiplied by Total Capacity (X) for that Trading Period.

(C) will be calculated as follows:

$$C = 8 + (350,000 - X) / 100,000$$

Minimum value of C = 5.5

Variable Costs

The Unit Variable Cost of each Product in any Trading Period is the sum of the Unit Labour Cost and the Unit Materials Cost (as described overleaf) and the quantities produced will be transferred to '**Finished Goods Stock**' at this value.

Finished Goods Stock and Cost of Goods Sold

Each Trading Period, the quantities of each Product produced will be transferred to 'Finished Goods Stock' valued at Unit Variable Cost (as described above). These quantities and values will be added to those brought forward from the previous Trading Period and new average values will be calculated to give the unit rate for charging to cost of '**Goods Sold**' in the Profit and Loss Account. Full details will be indicated in your Company Management Report.

Plant Depreciation

As explained in Section 2, depreciation at the rate of **10%** of the original cost of the Plant is charged in each Trading Period for **10** Trading Periods. This only starts in the Trading Period when the Plant capacity is first available and it is shown as a separate item in the Profit and Loss Account for your Company.

Warehousing

There is a fixed cost of £50,000 each Trading Period, plus a charge of per 100 units of 'Finished Goods' and Materials Units held in stock in your warehouses at the **start** of the Trading Period. The cost will be given to you in each market update and will change each Trading Period. You will be notified of all changes.

Cost Reduction

As part of your strategy, or in response to other tactical issues, you may wish to invest in Cost Reduction projects, in a similar way to Product Development initiatives. By investing cash, in **multiples of £5,000**, you may be able to lower your Unit Variable Cost more than it would otherwise have been.



However, such investment is subject to the same vagaries as Product Development. Nothing is guaranteed. There is often a ceiling as to how much cost reduction can be achieved by any particular cost reduction project and therefore a random factor will be used. The random factor will vary across the Trading Periods but it will be applied equally to all Companies in the marketplace.

- The % reduction your Company achieves will be dependent upon two main factors again:
 - 1) How much you invest in the Trading Period
 - 2) The average investment made by your Company to date
- The % cost reduction achieved will be shown in your Company Management Report
- The % cost reduction achieved will be applied to the 'Unit Labour Costs' and 'Materials Unit Buying Price' for the next Trading Period.
This will produce savings on both the Labour and Materials content of your two Products in future Trading Periods.
- Only **one** investment in Cost Reduction is required to cover **both** Products.

There are no prizes for forecasting the results if you don't make any investments in Cost Reduction during any Trading Period.

As part of your strategy, or in response to other tactical issues, you may wish to invest in Cost Reduction projects, in a similar way as Product Development initiatives.

Section 4 | Markets and Marketing

MARKETS:

Product Alpha

Sales of your Product Alpha can be sold in two specific markets:

- Wholesale
- Industrial

Successful sales into these markets will be indicated in your Company Management Report as AW and AI. (AW = Product Alpha into the Wholesale Market and AI = Product Alpha into the Industrial Market).

Product Delta

Sales of your Product Delta will only be made into the Industrial Market and will therefore be identified in the Company Management Report as DI. (DI = Product Delta into the Industrial Market).

Contracts

In addition to the usual Markets, now and again, Contracts may be offered for either or both of your Products. Successful sales in this area will be referred to as AC and DC. (AC = Product Alpha in the Contract Market and DC Product Delta in the Contract Market).

The range of Contracts on offer will be indicated in your Company Management Report relating to the marketplace opportunities for the next Trading Period or may be highlighted in ad-hoc Economic or Marketplace Newsflashes. These will detail the actual quantities of Products for which tenders are invited.

You are under no obligation to go for the Contracts but if you are planning to tender for a Contract you must take account of the following factors:

- The tendered price for a Contract must not be greater than your lowest Selling Price for the same Product in the same Trading Period. (Tenders breaking this rule will not be considered for the award of the Contract)
- Contract orders achieved by your Company will be produced in your manufacturing facilities before any other orders.



- If your Company cannot supply the whole of the Contract then you will **not** be awarded any part of it.
- Contracts will be awarded on the basis of the ‘Lowest Contract Factor’. This is calculated as follows:

$$\text{CONTRACT FACTOR} = \frac{\text{CONTRACT PRICE}}{\text{PRODUCT IMAGE} *}$$

* See later in section for explanation of this crucial factor

- Contracts may be divided between two or more Companies.
- Contract orders are additional to the orders for each of the Product markets already described.

Marketing Investments

In addition to your Product Development and Cost Reduction initiatives you are also able to invest cash each Trading Period for a further competitive differentiator – marketing activities. Such activities are available for both of your Products in their respective markets: AW, AI and DI.

These investments affect both the ‘Total Market for the Product’ and your Company’s share of the Market.

- For Product AI and Product DI **70%** of the amount you invest is effective in the specific Trading Period in which you allocate the cash, with the remaining **30%** taking effect in the following Trading Period.
- For Product AW, **65%** is effective immediately with the **35%** balance effective in the next Trading Period.

Your Company may suffer some restrictions on the amounts it can invest, depending on Company fortunes and of course your own management strategy, but you must be very careful if you are considering **not** investing anything at all into Marketing activities.

Please Note: A zero marketing spend will usually result in a zero share of the market – no orders, no sales, no profit.



In addition, if your Company decides to drop out of one of the Markets and no orders for a product are generated (in AW, AI or DI) then a re-entry penalty will be levied on any future marketing investment. This re-entry penalty **must** be paid before any further orders for the product can be achieved. If there are no orders in the next Trading Period, then the penalty will be levied again and accumulated. Penalties are paid from the relevant Marketing Investment in the next Trading Period.

All Companies must ensure that the amount is sufficient to cover the penalty in addition to any marketing investment for that particular Trading Period. If not, then the investment is lost and a new penalty is added. There is no carried forward effect from the previous Trading Period.

The penalties will be as follows:

Product	Penalty £'s
AW	500,000
AI	200,000
DI	250,000

Any penalty to be paid will be clearly shown in the 'Data for Next Trading Period' section of your Company Management Report.

Marketing Consultancy Investment

In addition to your own Marketing efforts within your Company you may want to invest in the services provided by an external Marketing Consultancy agency.

Such investment will maximise the effectiveness of your own efforts, however, the benefits will only be seen in future Trading Periods, rather than the current Trading Period – when you have to pay for the services.

The *maximum investment* that is advisable in any one Trading Period is **£50,000**. It is certain that any higher amount will not make these Marketeers work any harder on your behalf. You can of course pay them more, but rest assured that no further benefits will be accrued by your Company.

Competitor Information

One more avenue of Marketing advantage that is open to you is Competitor Market Information. Your external Marketing agency is not able to supply you with this quality of information and therefore further cash will be required to purchase any of the following.

- **Market Prices:** Your own Company Market Sales Prices will be indicated on your Company Management Report but unless you purchase the data you will not know what the other Companies prices are in the various Markets.
- **Competitors' Balance Sheets:** These provide helpful information such as cash, raw materials and finished goods held by your competitors. Also, you can see their cumulative profit here.
- **Market Research:** The ultimate weapon. You can gain access (legitimately) to assess the market competitiveness of the other Companies in your marketplace. Data that will be available includes Marketing costs, orders filled, product images, product development % attractiveness, production capacities etc.

The information may be purchased in the categories below.

Cost of information	Information Purchased
Category 0 x unit cost	No information required
Category 1 x unit cost	Sales Prices only
Category 2 x unit cost	Balance Sheets only
Category 3 x unit cost	Sales Prices and Balance Sheets
Category 4 x unit cost	Research only
Category 5 x unit cost	Sales Prices and Market Research
Category 6 x unit cost	Balance Sheets and Market Research
Category 7 x unit cost	Sales Prices, Balance Sheets and Market Research

The cost of the information is calculated by multiplying the category number (0–7 above) by the 'Competitor Info Cost per unit' which will be indicated on the 'Data for the Next Period' section within your Company Management Report.

All the information you request and purchase will be included in your next Company Management Report.

Product Image

At last, we get to the Product Image. You will know already from the explanation of Contract awarding that Product Image has an impact on how your Company is viewed in the Market place.

The Product Image is used as a multiplying factor in the calculation of the Company's market shares and therefore, reduction in the factor will cause a reduction in the share.

This stems from your Company's ability to match production and marketing effort and therefore your ultimate ability to meet the orders received from your customers during any Trading Period.

At the end of any Trading Period where a Company fails to fulfill all the orders it receives for Product Alpha and/or Product Delta, the Company's Product Image will be reduced by 0.1. **Each Product, i.e Alpha and Delta, has a separate Product Image.**

Your Company will start the first Trading Period with a maximum 1.00 in each Product area. On each occasion your Company fails to fulfill orders the Product Image for the appropriate Product will be reduced by 0.1.

However, if your Product Image is already less than 1.00 from a previous Trading Period, if you fulfill all your orders the Product Image will increase by 0.1. If you continue to fail to fulfill orders the image will keep slipping. This will obviously affect your Company's ability to trade in the markets.

The Product Image is used as a multiplying factor in the calculation of the Company's market share and therefore, reduction in the factor will cause a reduction in the share.

Remember also that the factor is used to determine the award of contracts. A low contract price alone is not enough to win the business.

The Product Image to be applied to the next Trading Period will be shown in your Company Management Report.

Orders arising from 'Additional Sales', (described later in this Section), are **not** taken into account in any calculations relating to the Product Image.

Market Prices

A key feature of your Company strategy will be to decide the selling prices for your Products. Marketplace data and historical prices will be provided when you take over the Company from your predecessors, but it will be up to you to agree the future selling price per unit for each of your Products in their respective markets.



There are a few guidelines to help in your thought process:

- The selling prices must be a whole number.
- Prices may be changed in each Trading Period. You will be supplied with information regarding the maximum change that the Market will stand, from your price for the same product in the previous Trading Period e.g. +/- 5.

If you do not enter a price on your Decision Form, or indicate a zero price, it will be assumed that your Company does not wish to sell a particular Product in a particular Market for that Trading Period.

Please Note: When and if you re-enter that Product Market, the maximum/minimum rule will apply based on the last positive price you indicated on your Decision Form AND don't forget the Marketing Investment penalties you will incur for re-entering the market.

- For Product Alpha, the Industrial Market tends to expect a price approximately 20% less than that quoted for your supply to Wholesalers. In any case, this price must not be higher than that for the Wholesale Market. Also remember the restrictions on your prices for any Contracts you may wish to tender for.
- From time to time economic or marketplace newsflashes may indicate maximum or minimum price policies etc.

Market Size

The 'Total Orders' for each Product Market will be calculated by reference to the total of Price/Marketing Factors derived for each Company from their Price and Marketing Investment.

Demand in each of the Product Markets is bound to be affected by the economic climate and news of this will be brought to you by Market Updates and Breaking News in plenty of time for you to consider your Company strategy and tactical decisions.

Market Share

The Market Share of each Company in each Product area is calculated by reference to a 'Market Share Factor' for that particular Product based on the following:

- Price/Marketing Factor adjusted for the effect of any Marketing Consultancy.

- Price/Marketing/Product Image Competition Factor. This factor will be assessed by comparing Company performance in Pricing, Marketing Investment and Product Image in relation to the other Companies in the same marketplace.
- Product Development investment.
- Product Image.

Additional Sales

If any Company is unable to fulfill all of its orders, a proportion of these surplus orders may be transferred to other Companies in the Marketplace.

The question of whether or not a Company will receive additional sales orders will be decided by reference to the Price/Marketing Factors and any quantity to be transferred will be determined by reference to the Market Share Factors.

Turn to ‘Sequence of Supply’ at the end of Section 2 to remind yourselves of the impact of each market on your Production schedule.



Section 5 | Miscellaneous Costs

If you pay off all your bank loan, a Savings Account will be set up, which will be credited with an interest rate of 2% below the current rate of interest quoted by the Bank

Any Company must take into account all the costs that will undoubtedly arise in the day to day running of an efficient operation and you are no exception.

Detailed below are some of the costs that you must balance at the same time as managing your market segmentation, production capacities, materials ordering and investment decisions.

Bank Loan Interest

At the start of the first Trading Period you will have inherited a Bank Loan taken out by the previous Management team. You must now manage that loan and decide as part of your overall strategy what needs to be done. As the Trading Periods come and go you may find your business in need of more from your Bank.

Bank Loan Interest will be charged to your Profit and Loss Account each Trading Period and will be calculated on the Loan outstanding at the end of the Trading Period. The appropriate % rate will be indicated in various financial news updates issued throughout the Trading Periods.

If you pay off all your bank loan, a Savings Account will be set up, which will be credited with an interest rate of 2% below the current rate of interest quoted by the Bank. The interest will be credited to your Profit & Loss Account as negative Loan Interest.

Bad Debts

It is a sad fact of everyday business that bad debts may occur and you will receive periodic updates indicating when Bad Debts need to be written off by your Company. The % of Debtors to your Company will be clearly indicated in your start position market information and Trading Period updates and will be charged directly to your Profit and Loss Account.

Administration

The costs of your Company Administration include your team salaries, company cars and the cost of running your offices. All these amount to **£700,000** per Trading Period. This will be charged to your Profit and Loss Account.

Carriage & Packing

The packing and shipping of your products to your markets will cost a specific amount, for example **£1** per unit of the Product sold, and this will be charged to your Profit and Loss Account. The cost of carriage and packaging will be notified to you in your market updates.



Section 6 | Taxation

Unfortunately, your Company is not operating in a tax-free haven and at clearly specified times indicated in your Company Management report you will be advised that Tax is due

Taxation Provision

Provided your Company is making a profit in the Trading Period a provision for Taxation will be made. The provision will be based on the profit you have made in that Trading Period multiplied by the % rate indicated in your market updates.

The amount payable will be charged to your Profit and Loss Account and added to the 'Taxation Reserve' shown in your Balance Sheet.

Taxation relief on losses will be allowed only to the extent of the Taxation Reserve brought forward in your Balance Sheet from previous Trading Periods. Any amount of Tax on losses in excess of the Taxation Reserve will be carried forward and offset against Tax on future profits: they will be shown as a note in your Profit and Loss Account and will not form part of the Accounts.

Payment of Tax

Unfortunately, your Company is not operating in a tax-free haven and at the end of each financial year, ie Trading Period 2, 4, etc, you will be advised that Tax is due for payment. Your Taxation Reserve at the end of the previous Trading Period will be cleared to pay the Tax due.

You must remember to allocate the correct amount due on your Decision Form. You will be reminded of the amount to pay in the 'Data for Next Period' in your Company Management Report.

Note that tax is only payable at the end of each financial year, ie in Trading Periods 2 and 4.

Section 7 | Debtors, Creditors, Cash and Loans

Debtors

The Sales Revenue for a Trading Period will be received as ‘cash’ in the proportion of:

- **75%** in the current Trading Period and
- **25%** in the next Trading Period

The Debtors carried forward shown in the Balance Sheet, therefore, will be **25%** of the current Trading Period Sales Revenue, unless this is reduced by any Bad Debt Written Off. If this occurs you will be advised, in advance, by your Bankers.

Creditors

Several items of expenditure are deemed to be partly paid for out of the cash received from your Debtors and Sales Revenue during the Trading Period (Current Cash). Other items that are carried forward as Creditors for each Trading Period are shown below.

Please Note: Each creditor item will be rounded down to the nearest £1,000 and any rounding error difference will be treated as a current cash payment.

Creditor Items	Creditor	Current Cash Payment
Carriage and Packing Costs	25%	75%
Warehousing Costs	25%	75%
Administration Costs	25%	75%
Loan Interest	100%	–

In each Trading Period the Creditors shown in your Balance Sheet for the previous Trading Period will be cleared by an automatic allocation from Cash Available (see Section 8).

Loans/Borrowing Arrangements

Any Company may borrow money in any Trading Period *up to the figure of the maximum loan*, indicated as ‘Max Loan’ in your Company Management Report for the previous Trading Period. This will also have the limit of a maximum £9,999,000 in any one Trading Period.

The actual balance available, ie the maximum loan less any amount already borrowed, will be shown as ‘Balance Now Available’ in your Company Management Report for the previous Trading Period.

Interest will be charged each Trading Period at rates set by your Bank. These will be notified to you via Market Updates.



The borrowing limit may also be re-calculated from time to time and this will also be notified to you. The new limit will be calculated taking into account the balance sheet position and the economic climate OR the current loan outstanding, whichever is the greater. Loans will not be recalled.

If you wish, your Company may repay any amount of your loan in any Trading Period, but remember:

- the payment must be in **£000's**
- it can only be up to a maximum of **£9,999,000** in any one Trading Period and
- any Loan Repayments will be effective from the start of the Trading Period in which they are made.

Once Loans have been reduced to zero, if your Company decides to make further Loan repayments a saving account will be set up and the balance will be shown in your Balance Sheet as a negative figure.

Interest on this negative balance will be credited at rates 2% below the prevailing bank loan interest rate.

Once Loans have been reduced to zero, if your Company decides to make further Loan repayments a saving account will be set up and the balance will be shown in your Balance Sheet as a negative figure.

Section 8 | Cash Available and Cash Allocations

Cash Available

At the start of each Trading Period each Company must make decisions about the allocation of cash resources that are available at that time. The maximum cash which may be allocated is the sum of the following items:

1. Cash shown in the Balance Sheet in your Company Management Report for the previous Trading Period (always rounded down to the nearest £1,000).
+
2. ‘Loan Applied For’ on the Decision Form, which must not exceed the ‘Balance Now Available’ indicated in your Company Management Report for the previous Trading Period (to a maximum of £9,999,000 in any one Trading Period).

Please Note: Cash you expect to accrue from Debtors during the coming Trading Period cannot be anticipated and allocated.

However, payments referred to under ‘Current Cash Payment’ in the Section 7 Table, are automatically deemed to be paid from this cash received and any balance will be taken into account in arriving at the cash in hand at the end of the current Trading Period.

Cash Allocation

In the allocations decided by your Company, as described in Section 9, there are three ‘automatic’ allocations:

Two of the allocations will occur each Trading Period:

1. The amount of Creditors shown in your Company Management report for the previous Trading Period.
2. The amount of **Production Fixed Costs** shown in your Company Management Report for the previous Trading Period.



The remaining ‘automatic’ allocation will occur in varying Trading Periods and will be brought to your attention via Market Updates etc.

3. The amount of **Taxation Reserve** shown in your Company Management Report for the previous Trading Period.

Please Note: These must be allocated on your Decision Form. If not, they will be deducted automatically and the remaining allocations that you have made will be reduced, as necessary, as detailed below.

Over-Allocation of Cash

If your total Cash Allocation exceeds the total of Cash Available any balance of Bank Loan available, within the borrowing limit (to a maximum of £9,999,000 in any one Trading Period), will be used to increase the total of Cash Available to cover your Allocations.

If this happens, there will be no penalty for increases of up to £5,000, which will cover any shortfall due to ‘rounding’ errors **but**, if **more** than £5,000 extra is required the loan interest rate for the current Trading Period will be increased by **20%**. i.e. if the current loan interest rate is 5%, the penalty rate will be 6%. This penalty rate will be charged on the **total loan outstanding** at the end of the Trading Period. This can be a very costly mistake. The loan interest rate will, however, revert to that shown in your latest Market Update for the following Trading Period unless, of course, you make a further over-allocation exceeding £5,000.

If, after taking up all the loan available, the Cash Allocations still exceed the Cash Available, the over-allocation will be dealt with by taking the following actions, in the sequence shown, until the over-allocation is cleared:

1. If minimum allocations for Marketing are imposed by any Market Update, any cash allocations your Company has made for Marketing will be reduced to the minimum allowed.

Any allocation for Purchase of Plant, the Marketing Consultancy / Research Fee and then Cost Reduction will be reduced to zero until the over-allocation is cleared, if possible.



1. Any Cash Allocation for Product Development will be reduced by 20%.
2. If there are no minimum allocations imposed on Marketing, any cash allocation for Marketing will be reduced by 20%.
3. Quantities for Production and Purchases of Materials will be reduced by 20% and Cash Allocations adjusted accordingly.
4. Actions (3), (4) and (5) will be repeated with reductions of 10% instead of 20%.
5. Actions (3), (4) and (5) will be repeated with reductions of 10% and any minimum allocation for Marketing regarded as cancelled.

Please Note: Creditors, Tax Payable and Production Fixed Costs will always be met, in full, even if this results in 'overdrawing cash'

Cash Overdrawn

Overdrawing cash to meet Cash Allocations other than the three ‘automatic’ allocations is **not** permitted and will be dealt with as described previously.

However, in the event of a negative Cash Balance arising in the Trading Period it will be shown as such in the Balance Sheet in your Company Management Report.

Interest at **twice** the prevailing Loan Interest Rate will be charged on the negative balance and added to the *normal* Loan Interest.

Section 9 | Submitting Decisions

If a Decision Form is not received in time from a Company there is a facility named 'Special Play' that can be invoked. Special Plays are described fully in Section 11.

A Decision Form must be submitted by each Company for each Trading Period and must be uploaded via the UBC simulation website at using the logins provided to each team.

If a Decision Form is not received in time from a Company there is a facility named 'Special Play' that can be invoked. Special Plays are described fully in Section 11.

An example Decision Form is illustrated in Appendix B.

It would be useful for you to look at the Decision Form in conjunction with the following notes which explain each line of the Decision Form.

PERIOD NUMBER at the top of the Decision Form refers to the Trading Period for which your Decisions are to be applicable. The Trading Period numbers will range from 0 for the Trial Decision then 1, 2, 3 etc through to the last Trading Period.

COMPANY NAME. You can give your company a name in the Team Profile section.

GAME CODE. This will be two alpha characters allocated to you by the Business Simulations Team at the start of the Round.

COMPANY NUMBER. As with the Game Code this number will be allocated to you by the Business Simulations Team. Together, your Game Code and Company Number are your team identifier which you must quote when you communicate with the Helpdesk.

The above information will correctly identify your Company team and the Trading Period. The remaining lines of the Decision Form cover the substance of your strategic and tactical decisions.



Selling Prices

Lines C1 to C5

Enter the Prices at which you would like to offer your products for sale. A blank entry against any item will indicate that you do not wish to sell that product. A blank entry for Products AC or DC, indicates that you do not wish to be considered for the award of a Contract. *Restrictions are described in Section 4.*



Production Quantities: (always expressed in 000's Units)

Lines D1 and D2

These lines are where you indicate the quantity of each product that you wish to produce during the Trading Period. *Limits are described in Section 2.*

Remember that Delta takes 2 units of production capacity while Alpha takes 1 unit of production capacity.

Line E

Here you add the quantity of Materials Units you wish to buy during the Trading Period. *Remember that only 75% of what you buy plus materials carried forward can be used in the Trading Period. If you wish to use your full capacity you will need to purchase (capacity – materials carried forward x 4/3)*



Cash Allocation: (in £000's, rounded UP)

Lines F1 and F2

These lines relate to the allocation of cash to cover the direct labour costs of your production requirements. The Unit Labour Costs are shown in the ‘Data for Next Period’ in your Company Management Report for the previous Trading Period.

Line G

This line relates to the cash covering the cost of Materials Units Purchased. The Material Buying Price is shown in your Company Management Report under the ‘Data for Next Period’ section.



Marketing & Product Development

Lines H1 to I2

All cash allocations in this Trading Period relating to Marketing and Product Development are recorded here. See Section 4 for more information.



Other Investments

Line J

Cash allocations to cover the cost of any Cost Reduction investments within the Trading Period are to be added on this line. See Section 3 of the Guide for more information.

Line K1

Select the competitive information you wish to purchase. Line M1 will automatically show the cost.

Line K2

Select the competitive information you wish to purchase. Line M1 will automatically show the cost. See Section 4 for the table of information categories you can purchase.

Line L

This indicates the cash allocated to buy new Plant or it may be a negative number indicating that you wish to de-commission Plant. *Remember you put the cash value here, eg 130k or 650k, if you are purchasing plant. If you are decommissioning plant you put the number of units you wish to decommission, eg 010 = 100,000 units of capacity decommissioned. See Section 2 for further guidance.*



Total Cash Allocations in £000's

Line M

This is the total of your ‘optional’ cash allocations, this does not include the ‘automatic’ cash allocations.

Line M1

This indicates the cash you wish to spend in the Period to purchase Competitor Market Information, i.e. category number x cost per category to be found on your Company Management Report in ‘Data for Next Period’.



Total Cash Allocations in £000's (cont)

Line N and O

These are the ‘automatic’ cash allocations such as Production Fixed Costs and Creditors items. The amounts are provided for you in your Company Management Report for the previous Trading Period. Read Section 8 for further clarification.

Line P

This is Tax payable. Again, the amount is indicated to you in your Company Management Report. Turn to Section 6 for the background. **Note: this is always a zero figure in Trading Period 1, 3, 5 etc.**

Line Q

This is the Total of Cash Allocation required for the Trading Period. *Be very careful. This amount should not exceed the total of cash at the end of the last Trading Period plus the loan balance available. See Section 8 for more information.*

Line R and S

These boxes relate to the Total Cash Allocations less the cash available and this will highlight whether a further loan is required. Check Section 8 for guidelines.

Line T

This box is where you indicate the amount of loan to be repaid, if any. See Section 7 if in doubt.

Remember to submit your Decision Form on time.

Note that when you upload your Decision Form you should see a message telling you that your decisions have been successfully uploaded. Print your Decision Form and keep it for your records. Within 20 minutes you should receive and email confirming your decisions.

1. If either of these do not happen go back and re-submit your decisions.
2. Check the email to ensure you have uploaded the correct figures.



Section 10 | Your Results: The Company Management Report

Your results are presented in a comprehensive Management Report which will be produced each Trading Period specifically for your Company. The Report will detail the effects of the Trading Period decisions and it will also include essential data that you will need to use as the foundation to your next Trading Period decisions. In addition, it may include Market Information particulars about your competitors – if, of course, such information is available and you have paid for it.

An example copy of a Company Management Report is included in this Guide – *Appendix C*.

The sections included in your Company Management Report will combine financial/numerical data occasionally accompanied by narrative explanations or hints and tips

The sections will cover:

Helpful Hints about your Decisions

Included in this section will be helpful hints resulting from your Decision Form submissions. For example, rounding errors in calculations, over-allocation of cash, insufficient raw materials to meet your orders, Contract prices greater than lowest sales market prices of the Company in a particular Product, rounding errors etc.

Your Company Selling Prices

The prices quoted by your Company will be shown for Products Alpha and Delta within the markets you entered ie Wholesale, Industrial or Contracts. The prices quoted by *other* Companies in your marketplace will **not** be included unless you have requested and purchased the relevant Market Information.

Your Company Marketing and Product Development Investment

This shows your investment in Marketing and Product Development this Trading Period and will include any re-entry penalties, if applicable.

Total Market Place Investment in Marketing and Product Development

This shows the total investment by **all** companies in your stream this Trading Period in Marketing and Product Development.

Your Company Finished Goods Production and Stock

The quantities and costs for both Products Alpha and Delta on hand at the end of the previous Trading Period are shown as Brought Forward: to these are added quantities and costs of Production in the Trading Period. The cost of Production is calculated as follows:

Product Alpha

Quantity Produced X (UNIT COST OF MATERIALS USED AS SHOWN IN THE CURRENT TRADING PERIOD COMPANY MANAGEMENT REPORT

PLUS

UNIT LABOUR COST OF PRODUCT ALPHA, AS SHOWN IN THE PREVIOUS TRADING PERIOD COMPANY MANAGEMENT REPORT)

Product Delta

Quantity Produced X (2 x UNIT COST OF MATERIALS USED AS SHOWN IN THE CURRENT TRADING PERIOD COMPANY MANAGEMENT REPORT

PLUS

UNIT LABOUR COST FOR PRODUCT DELTA, AS SHOWN IN THE PREVIOUS TRADING PERIOD COMPANY MANAGEMENT REPORT

The resultant Sub-Total units and cost are then used to calculate a new Unit Cost (U.Cost) for each Product and is shown on the next line of the cost of Goods Sold. The number of units and cost of Stocks Carried Forward are then shown.

Please Note: The quantities produced are limited by Production Capacity Units and Material Units available (see Section 2 ‘Quantity of Products Produced’)



Materials Bought and Stock

The quantity and cost of Material Units on hand at the end of the previous Trading Period is shown as Brought Forward: to this is added the quantity purchased in the Trading Period and the cost calculated at the Materials Buying Price per Unit (shown under U.Cost) given in your Company Management Report for the previous Trading Period.

The resultant Sub-Total units and cost are then used to calculate a new Unit Cost for you to evaluate the cost of units used.

The number of units used is calculated as follows:

**(2 x NUMBER OF UNITS PRODUCED FOR PRODUCT DELTA)
PLUS**

NUMBER OF UNITS PRODUCED FOR PRODUCT ALPHA

The number of units and cost Carried Forward to the next Trading Period are then shown.

Please Note: The maximum quantity of Materials Units which may be used in a Trading Period is the quantity brought forward + 75% of the quantity purchased, rounded down to the nearest 1,000.

Your Company Market Statistics:

Company Market

Orders, Sales, Additional Sales and Total Sales achieved by **your** Company are highlighted in this section, for each Product. Factors affecting calculation of Orders Received and Additional Sales are described under ‘Market Size’ and ‘Additional Sales’ in Section 4.

Sales Revenue

The figures in this section refer to the number of units of Product Alpha and Product Delta that have been sold by your Company and they will have been multiplied by your quoted price for each Product.

Total Market Statistics:

Total Market

This section shows, for each Product, the total Orders and Sales (including Additional Sales) achieved in the Trading Period by **all** the Companies in the marketplace. Factors affecting the calculation of total orders are described under 'Market Size' in Section 4.

Profit and Loss Account for the Trading Period:

Total Sales Revenue

The Grand Total of the Total Sales Revenue for Products AW, AI, AC and the Total Sales Revenue for Products DI, DC, as shown under 'Market Statistics'.

Cost of Goods Sold

The Total of Goods Sold Cost for Product Alpha and Goods Sold Cost for Product Delta, as shown under 'Finished Goods Productions and Stock'.

Production Fixed Cost

The Production Fixed Costs for the Trading Period, as shown in your Company Management Report for the previous Trading Period.

Plant Depreciation

10% of the original cost of the Plant.

Warehousing

£50,000 plus £100 per 100 Units (or part thereof) of Finished Goods AND Materials Units in stock at the **start** of the Trading Period.

Carriage & Packing

£1 per unit of Products sold, unless changed by a Scenario Update.

Cost Reduction, Product Development, Marketing, Market Consultancy/Research

These are your investments this Trading Period in the above categories. The amounts allocated on your Decision Form adjusted, when necessary, for over-allocation of cash and/or other limits imposed from time to time.

Loan Interest

Interest at the % shown in the Market Update, calculated on the Loan outstanding at the **end** of the Trading Period plus any additional interest charged for over-allocation of cash or cash overdrawn. (see Section 8 for more information).

**Administration**

£700,000 per Trading Period.

Bad Debts Written Off

The amount written off, if any, as Bad Debts at the % rate of debtors indicated by your Bank in the Market Update.

Total

The Total Expenditure for the Trading Period.

Profit Before Tax

Total Sales Revenue *minus* Total Expenditure.

Provision for Tax

The amount calculated at the % indicated in the Market Update, which has been transferred to the Taxation Reserve in the Balance Sheet (see Section 6).

Profit for the Period

Profit Before Tax *minus* Provision for Tax. The amount transferred to Profit and Loss Account in the Balance Sheet.

Your Company Balance Sheet:**Share Capital**

The issued Share Capital of your Company remains unaltered.

Loans/Saving A/C

The amount of loan outstanding or savings made.

Profit & Loss A/C

The cumulative profits or losses after tax from Period 0 to the current Trading Period.

Total Capital Employed

The long term Capital which is being used to run the business – equal to the value of the Net Assets.

Plant at Net Book

The original cost of Plant Value less accumulated depreciation.

Stock – Materials / Stock – Finished Goods

The value of stocks at the end of the trading Period as calculated and shown in the Stock reports against 'C/Forward'.

Debtors

25% of the current Trading Period Sales Revenue adjusted for Bad Debts, when applicable.

Cash

Cash available for allocation in the next Trading Period.

Total Assets

The Total Assets in use in the business.

Creditors

Amounts unpaid in respect of Carriage and Packing, Warehousing, Administration and Loan Interest (see Section 7).

Taxation Reserve

The accumulation of tax provisions since the last payment of tax. It must be cleared by a cash allocation at the end of each financial year.

Total Current Liabilities

The short term capital employed in the business.

Net Assets

Total Assets Less Current Liabilities – equal to the Capital Employed.

Your Company:**Data for the Next Period**

This section provides you with the basic information required to make trading decisions for the next Trading Period. The individual items highlighted below are fully described in the relevant sections of this guide.

Unit Labour Costs

The cost to produce one unit of Alpha/Delta documented accordingly. Note: that the Labour cost for Delta is already double the cost of Alpha to incorporate the fact that Delta takes 2 units of Labour to produce.

Materials Buying Price

The unit cost of materials calculated according to market factors and any investment by your company in cost reduction initiatives.

Capacity

Production Capacity available in the factory.

Production Fixed Costs

Calculated according to your Company's total production capacity.

Product Development

The percentage attractiveness of both Alpha & Delta, achieved through investment in product development.

Contract

Value of contracts on offer for both Alpha & Delta.

Maximum Loan

The maximum amount that your Company may borrow. In certain Trading Periods, as advised in Market Updates, the maximum loan amount may be revised.

Balance Now Available

The amount of loan available to be borrowed next Trading Period. This is the Maximum Loan minus the amount you have already borrowed as shown against 'Loans' in the Balance Sheet.

Pay Tax of £xxxx Next Period

A reminder will be included that tax is due in the next Trading Period and the amount indicated must be included in your cash allocations.

Tax on Losses Carried Forward

This is the amount of tax on losses available to offset against Tax on profits made in the future.

Product Image

Product Image for both Alpha & Delta at that point in time (see Section 4 – Markets and Marketing).

Cost of Competitor Information per Category

The cost of purchasing competitive information. This is the cost per category and will be multiplied by the number of category you choose, eg if you choose Market Sales Prices and Market Research you will pay 5 times this cost.

If your Company has requested and purchased Competitor Information relating to your competitors within the marketplace the data will be included in your Company Management Report.

Competitor Information:

If your Company has requested and purchased Competitor Information relating to your competitors within the marketplace (as described in Section 4) the data will be included in your Company Management Report.

Depending on what information you requested and purchased the Sections will cover:

Selling Prices

The selling prices for both products, in each of the markets including Contracts when relevant, will be displayed for all the Companies in your marketplace.

Balance Sheets

The Balance Sheets for all Companies in the same marketplace will be included. However, this information will only be available for purchase at specified times in the business cycle. Availability will be highlighted via Market Updates.

Statistical Data Market Costs / Unit A

This will indicate the Total amount invested in Marketing for Product Alpha divided by the Total sales of Product Alpha in the Wholesale market and Product Alpha in the Industrial market i.e. AW and AI.

Market Costs / Unit D

This will indicate the amount invested in Marketing for Product Delta divided by the sales of Product Delta in the Industrial market i.e. DI.

Orders Filled

This will show the Sales of Products AW, AI and DI.

Product Image

This will indicate the relevant Product Image for Teams for the previous Trading Period.

Product Development %

This will indicate the relevant Product Development % achieved by the other Companies in the market that will be used in the next Trading Period.

Production Capacity

This will reveal your competitors' production capacity for the next Trading Period.

Section 11 | What happens if you don't Submit Decisions



As described in Section 9, a 'Special Play' will be made in any Trading Period when the Decision Form for a Company has not been submitted in accordance with the published timetable.

In addition, the simulations management team can invoke a Special Play, if in their opinion, there are exceptional circumstances whereby a full set of decisions cannot be submitted. This is entirely at the discretion of the simulation management team. However, should a Company require two Special Plays, the team will be eliminated from the entire simulation.

Special Plays will be made each Trading Period where decisions are not submitted. These may vary from the decisions previously submitted by the company.

Notification of Special Play

Teams will be notified when their decisions have been 'Special Played'. As these decisions impact on the results of all teams in the stream, it is not possible to accept late decisions from teams.

It is the responsibility of the team to ensure that their decisions are uploaded in plenty of time and that they have an email confirming those decisions.

Please note: a copy of all decision emails is sent to the Simulation Management Team.

Appendix A | Business Environment & Breaking News

Each Trading Period, Business Environment & Breaking News updates will be made available on the simulation website. These will provide you with background data such as the state of your marketplace, specific occurrences in your Company or even aspects of the general economy that are likely to affect you and your trading decisions.

For example the following factors may be highlighted:

Economic Climate:

Information may be provided regarding the instability of a particular marketplace for one or both of your products. Long-term forecasts regarding demand for products or short-term crises may be reported along with specific sensitivities in the marketplace such as price issues.

Materials Units:

In specific Trading Periods the purchase of materials may be subject to maximum or minimum limits.

Market Prices:

There may be price restrictions imposed or lifted, possibly as a result of new legislation.

Marketing:

Almost anything could happen here. Your marketing consultants could go out of business or maximum expenditure could be imposed due to unforeseen circumstances within your Company.

Loan Interest Rates:

Issues with your Bank Manager or fluctuations in the base rates could affect the interest rates on any loans you have outstanding.

Taxation:

Again, issues in the economy in general may affect the % rate of tax your Company must pay in different Trading periods year to year.

Remember that each decision you make is roughly equivalent to six months in the life of your Company and changes will undoubtedly occur during this time.

These are only some examples of the kind of changes you may face during your tenure of office, there are likely to be many other challenges.

Appendix B | Example Decision Form

This is an example decision form which shows the decisions that your team will make. All decisions must be input using the on-line decision form which is explained on the simulation website board room page.

£ \$ Selling Prices

C1 Product AW	<input type="text"/>	
C2 Product AI	<input type="text"/>	
C3 Product AC (Contract)	<input type="text"/>	
C4 Product DI	<input type="text"/>	
C5 Product (Contract)	<input type="text"/>	

Production Quantities in 000's Units

D1 Production of Product Alpha	<input type="text"/>	
D2 Production of Product Delta	<input type="text"/>	
E Purchase of Materials Units	<input type="text"/>	



Labour and Materials in £000's (Rounded up even if .1, .2, .3 etc)

F1 Line D1 x Unit Labour Cost for Product Alpha



F2 Line D2 x Unit Labour Cost for Product Delta



G Line E x Materials Buying Price Per Unit



Marketing

H1 Marketing - Product AW



H2 Marketing - Product AI



H3 Marketing - Product DI



Product Development

I1 Product Development - Product Alpha



I2 Product Development - Product Delta





Other Investments

J Cost Reduction



K1 Consultancy Fee – Marketing



K2 Purchase Competitor info

None



L Plant

- Purchase
- De-Commission
- Neither



NB. Unless a quantity is entered, you will not be purchasing or de-commissioning any plant regardless of your choice.



Total Cash Allocations in £000's

M Sub-total of costs (lines F1 to L)



M1 Competitor Info cost (Line K2 x unit cost)



N Production Fixed Costs



O Creditors



P Tax Payable (at end of financial year)



Q Total Cash Allocations (line M to P)



R 'Cash' at end of Last Period (to the nearest £1,000)



- S & T**
- Loan applied for OR
 - Loan repaid (both in £000's)
 - Neither



NB. Unless a quantity is entered, you will not be applying for or repaying a loan regardless of your choice.

Appendix C | The Company Management Report

The Company Management Report will cover the following information:

£ \$

Company Selling Prices

Product AW	£53
Product AI	£45
Product AC	£0
Product DI	£76
Product DC	£63



Company Information

	Marketing	Production Development
Product AW	£340,000	
Product AI	£340,000	
Product DI	£340,000	
Product Alpha		£400,000
Product Delta		£400,000

Total Market Information

	Marketing	Production Development
Product AW	£1,340,000	
Product AI	£1,140,000	
Product DI	£1,090,000	
Product Alpha		£1,300,000
Product Delta		£1,500,000

The Company Management Report (continued)



Materials Bought and Stock

	Units	Cost	Unit Cost
B/Forward	163,000	£1,365,500	
Purchases	516,000	£4,257,000	£8.25
Sub Total	679,000	£5,622,500	£8.28
Used	550,000	£4,554,310	£8.28
C/Forward	129,000	£1,068,190	

Finished Goods Production and Stocks - Product Alpha

	Units	Cost	Unit Cost
B/Forward	51,790	£1,359,980	
Production	282,000	£7,345,080	£25.94
Sub Total	333,790	£8,675,060	£25.99
Sold	333,790	£8,675,060	£25.99
C/Forward	0	£0	

Finished Goods Production and Stocks - Product Delta

	Units	Cost	Unit Cost
B/Forward	5,120	£269,090	
Production	134,000	£6,951,920	£51.88
Sub Total	139,120	£7,221,010	£51.90
Sold	139,120	£7,221,010	£51.90
C/Forward	0	£0	

The Company Management Report (continued)



Company Market Statistics					
	Orders	Sales	Additional Sales	Total Sales	Sales Revenue
Product AW	254,680	236,330	0	236,330	£12,525,490
Product AI	97,460	97,460	0	97,460	£4,385,700
Product AC	0	0	0	0	£0
Total	352,140	333,790	0	333,790	£16,911,190
Product DI	131,750	139,120	0	119,120	£9,053,120
Product DC	20,000	0	0	20,000	£1,260,000
Total	151,750	139,120	0	139,120	£10,313,120



Total Market Statistics		
	Orders	Sales
Product AW	1,040,630	975,100
Product AI	314,060	314,060
Product DI	50,000	50,000
Total	1,404,690	1,339,160
Product DI	527,690	518,760
Product DC	20,000	20,000
Total	547,690	538,760

The Company Management Report (continued)



Management Accounts

Profit and Loss A/C for Period		Balance Sheet Company No. 1	
Total Sales Revenue	£11,383,040	Share Capital	£15,000,000
Deduct Expenditure:		Loans	£12,000,000
Cost of Goods Sold	£7,012,990	Profit & Loss A/C	£3,574,160
Production Fixed Costs	£3,300,000	Total Capital Employed	£30,574,160
Plant Depreciation	£357,500	Represented by:-	
Warehousing	£626,400	Plant at Net Book Value	£2,177,500
Carriage and Packing	£440,600	Stock - Materials	£1,027,930
Cost Reduction	£0	Stock - Finished Goods	£11,495,270
Product Development	£12,000	Debtors	£2,703,480
Marketing	£50,000	Cash	£14,570,980
Market Consultancy & Research	£70,000	Total Assets	£31,975,160
Loan Interest	£960,000	Deduct:-	
Administration	£700,000	Creditors	£1,401,000
Bad Debts Written Off	£142,280	Taxation Reserve	£0
Total	£13,671,770	Total Current Liabilities	£1,401,000
Profit before Tax	(£2,288,730)	Net Assets	£30,574,160
Provision for Tax	(£181,200)		
Profit for Period	(£2,107,530)		

The Company Management Report (continued)



Data for Next Period

Unit Labour Cost - Product Alpha	£15.73
Unit Labour Cost - Product Delta	£31.46
Materials Buying Price (per unit)	£8.35
Above is after Cost Reduction of	0.0%
Capacity Units Available	550,000
Production Fixed Costs	£3,300,000
Product Development Product Alpha	1.0%
Product Development Product Delta	5.0%
Contract - Product Alpha (units)	20,000
Contract - Product Delta (units)	40,000
Maximum Loan	£25,000,000
Balance now available	£13,000,000
Pay tax next period	£0
Tax on Losses Carried Forward	£299,430
Product Image - Product Alpha	1.00
Product Image - Product Delta	1.00
Competitor Info cost per category	£10,000

Competitive Market Information (continued)



Competitive Market Information

Competitor Sales Prices								
Company	1	2	3	4	5	6	7	8
Product Alpha (Wholesale)	£44	£52	£52	£60	£54	£52	£55	£52
Product Alpha (Industrial)	£54	£46	£46	£38	£47	£46	£43	£46
Product Alpha (Contract)	£0	£0	£0	£0	£0	£0	£0	£0
Product Delta (Industrial)	£80	£78	£78	£78	£78	£78	£80	£86
Product Delta (Contract)	£0	£0	£0	£0	£0	£0	£0	£86

Market Research								
Company	1	2	3	4	5	6	7	8
Marketing Costs/Unit Alpha	£0.26	£1.32	£1.32	£8.98	£1.95	£1.32	£1.15	£1.58
Marketing Costs/Unit Delta	£0.11	£3.18	£3.18	£0.00	£2.68	£3.18	£3.76	£51.39
Orders Filled AW	173,360	229,780	229,780	43,450	215,870	229,780	183,320	245,870
Orders Filled AI	0	57,500	57,500	178,970	45,920	57,500	81,070	54,710
Orders Filled DI	46,940	94,270	94,270	68,750	93,390	94,270	63,780	3,970
Product Image this Period Alpha	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Product Image this Period Delta	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Prod Devt % Next Period Alpha	1.0%	2.0%	2.0%	5.0%	3.0%	2.0%	4.0%	0.0%
Prod Devt % Next Period Delta	5.0%	15.0%	15.0%	5.0%	9.5%	15.0%	9.5%	5.0%
Production Capacity	550,000	550,000	550,000	550,000	910,000	550,000	550,000	1,100,000

Balance Sheet Report for all Companies (continued)



Balance Sheets for All Companies

Company	1	2	3	4
Share Capital	£15,000,000	£15,000,000	£15,000,000	£15,000,000
Loans	£12,000,000	£11,612,000	£11,612,000	£18,000,000
Profit & Loss A/C	£3,574,160	£6,812,140	£6,812,140	(£67,410)
Total Capital Employed	£30,574,160	£33,424,140	£33,424,140	£32,932,590
Represented by:-				
Plant at Net Book Value	£2,177,500	£2,177,500	£2,177,500	£2,177,500
Stock - Materials	£1,027,930	£1,078,000	£1,078,000	£1,078,000
Stock - Finished Goods	£11,495,270	£7,334,370	£7,334,370	£10,371,960
Debtors	£2,703,480	£5,212,320	£5,212,320	£3,507,970
Cash	£14,570,980	£19,552,640	£19,552,640	£17,713,160
Total Assets	£31,975,160	£35,354,830	£35,354,830	£34,848,590
Deduct:-				
Creditors	£1,401,000	£1,449,000	£1,449,000	£1,916,000
Taxation Reserve	£0	£481,690	£481,690	£0
Total Current Liabilities	£1,401,000	£1,930,690	£1,930,690	£1,916,000
Nett Assets	£30,574,160	£33,424,140	£33,424,140	£32,932,590

Continued...

Balance Sheet Report for all Companies (continued)



Balance Sheets for All Companies

Company	5	6	7	8
Share Capital	£15,000,000	£15,000,000	£15,000,000	£15,000,000
Loans	£15,412,000	£11,612,000	£13,162,000	£18,785,000
Profit & Loss A/C	£6,200,950	£6,812,140	£5,948,880	£7,015,380
Total Capital Employed	£36,612,950	£33,424,140	£34,110,880	£40,800,380
Represented by:-				
Plant at Net Book Value	£4,517,500	£2,177,500	£2,177,500	£5,752,500
Stock - Materials	£1,078,000	£1,078,000	£1,779,790	£1,362,070
Stock - Finished Goods	£8,048,360	£7,334,370	£9,535,540	£8,051,240
Debtors	£5,011,170	£5,212,320	£4,434,370	£5,145,040
Cash	£20,017,140	£19,552,640	£17,982,900	£23,045,250
Total Assets	£38,672,170	£35,354,830	£35,910,100	£43,356,100
Deduct:-				
Creditors	£1,740,000	£1,449,000	£1,547,000	£2,020,000
Taxation Reserve	£319,220	£481,690	£252,220	£535,720
Total Current Liabilities	£2,059,220	£1,930,690	£1,799,220	£2,555,720
Nett Assets	£36,612,950	£33,424,140	£34,110,880	£40,800,380

Appendix D | The Company Management Report: Helpful Hints

Within your Company Management Report you will receive guidance relating to various aspects that may have occurred as a result of your Decision's or the cumulative effect of the Decisions of other Companies in your marketplace.

If you need any further information or help and you cannot find it either in this guide or in the FAQs section of the simulation website, contact the UBC Helpdesk at:

helpdesk@ubcworldwide.com

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