

**Operational Case Study Examination**  
**November 2022 - February 2023**  
**Pre-seen material**



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## Your role

You are a Finance Officer working within the Finance Department of FireWorks. You are principally involved in the preparation of management accounting information and providing information to managers to assist with decision making. At times, you are also expected to assist with the preparation of the financial statements and answer queries regarding financial reporting and other financial matters.

## Company background

FireWorks is a company that designs, manufactures and sells a range of outdoor grills. The company is based in Beeland, a country in Europe which has the B\$ as its currency. The products that FireWorks sell are moveable stand-alone grills that can be located wherever the user wishes in an outdoor setting.

FireWorks was founded in 1984 by David and Debbie Wheeler after they had experienced the widespread outdoor grilling, eating and socialising lifestyle in North America, while on holiday. Prior to founding FireWorks, David was an executive in marketing and Debbie was a production manager in a metal works company. After receiving an unexpected inheritance, David and Debbie decided to invest in a small manufacturing plant and formed FireWorks.

David and Debbie were both passionate about food and the great outdoors and wanted to inspire others to experience the pleasure of the dining and entertaining outdoor lifestyle. At the time, few inhabitants of Beeland owned (or even knew anyone that owned) an outdoor grill. They identified a gap in the market for quality, easy-to-use grills.

The first of FireWorks' grills, launched in 1984, was a simple but high-quality design, fuelled by charcoal. It was sold through specialist outdoor furniture retailers and large garden centres, all based in Beeland. As 1984 had a particularly good summer, sales were healthy and, as the product was of high quality, FireWorks established a good reputation. The following year saw a marked increase in sales and greater awareness of the FireWorks brand.

As the concept of outdoor cooking continued to gain in popularity in Beeland, FireWorks expanded the range of products it offered. In 1998, a gas-fuelled grill was added to the FireWorks range. More recently in 2018, an electrically-powered wood pellet grill was added to the range.

With only a few exceptions (due to recession or exceptionally bad weather), FireWorks has experienced sales growth every year since its foundation. In 2018, David and Debbie retired and the task of running the company was handed to their youngest child, Catherine Wheeler, who spent her early career as a qualified chef working in top restaurants throughout Europe. Prior to taking over, Catherine had worked at her parents' company for 4 years. She has many ideas for the future direction and growth of the company.

Currently, FireWorks operates from three sites which are located within 10 kilometres of each other: Head Office, Production Facility and Distribution Centre. The company does not operate any retail outlets. In 2021, FireWorks sales volumes were split: 68% through retailers in Beeland, 20% direct to customers in Beeland through the FireWorks website and 12% to third-party agents based in other countries.

In the year to 30 June 2022, the company's revenue was B\$76.5 million, gross profit was B\$32.2 million, and profit before tax was B\$6.9 million. During that year, the company sold 192,500 grills. On 30 June 2022, the company had 316 employees. All employees live and work in Beeland.

## FireWorks' ethos

FireWorks' current aim is to create grills that will enhance the outdoor eating experience. As a professionally trained chef, Catherine Wheeler wants the company to be at the forefront of all outdoor cooking trends in Beeland. She often states that the business is about creating opportunities for hospitality and friendship and not just metal welding.

Catherine's vision is to enable the people of Beeland to socialise outdoors, while enjoying a vast range of food, perfectly cooked on a FireWorks grill. The advertising for FireWorks always includes the phrase, "FireWorks for delicious food".

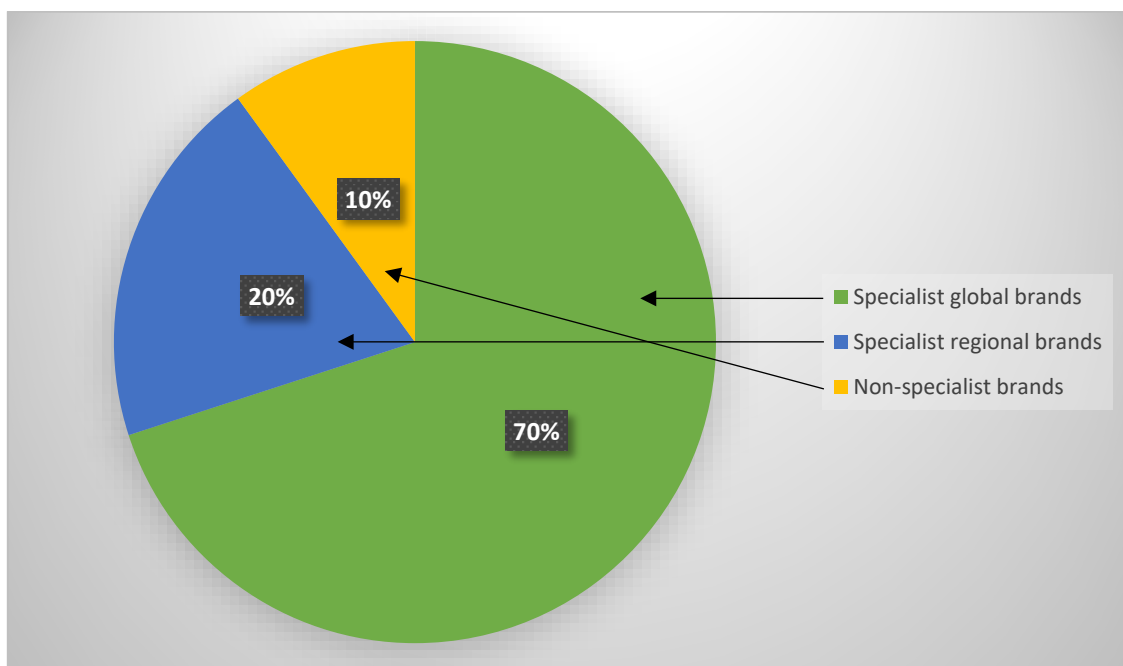
Catherine is also concerned with sustainability and ensures that the raw materials used in production are ethically and sustainably sourced. Relationships with suppliers are seen as important to FireWorks' success. The company aims to be carbon neutral within 6 years and is continually striving to improve its supply chain, manufacturing processes and outward logistics to get closer to this.

## The industry

### The global market

In 2021, consumers spent the equivalent of B\$7.5 billion on outdoors grills and accessories across the globe. By far the largest market, with an equivalent of B\$2.85 billion of sales (38% of the global market), was the United States of America. Other countries that have extensive outdoor grilling cultures are Argentina, Australia, Brazil, Canada and South Africa, where sales are strong. In 2021, sales in Beeland were worth the equivalent of B\$0.55 billion.

The global market for grills is dominated by specialist grill brands that design, manufacture and sell only outdoor grills and accessories. In 2021, global sales of grills and accessories was split as follows:



**Specialist global brands:** There are four specialist global brands. These brands originated, and are still based, in the United States of America. They sell their products globally.

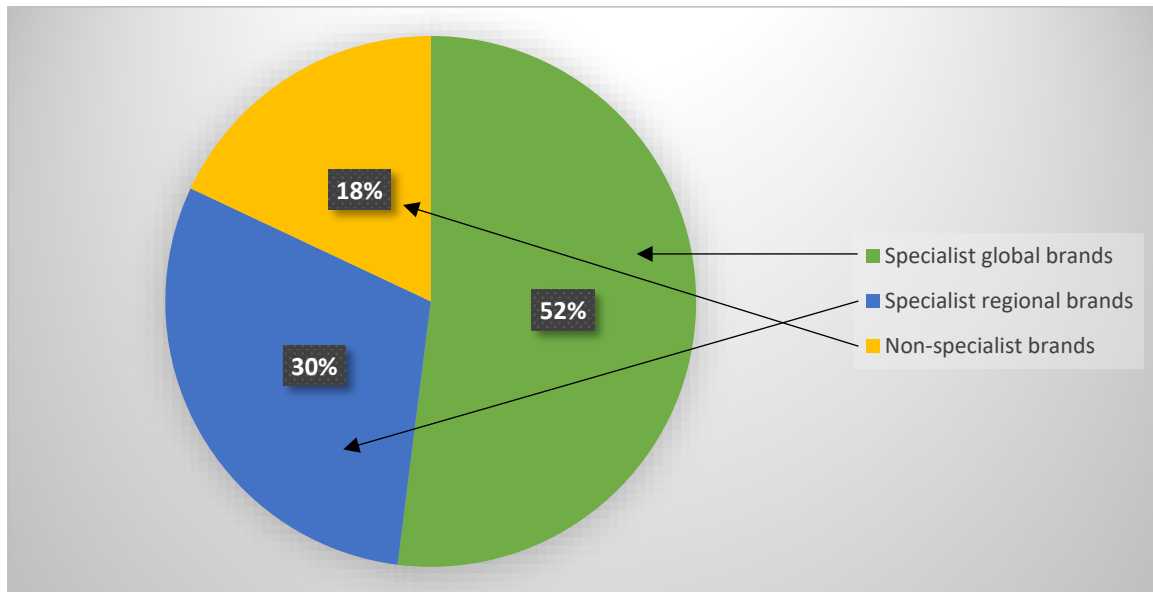
**Specialist regional brands:** There are 14 specialist regional brands. Each of these brands focusses its sales efforts in particular regions of the world and do not have a global sales presence. These brands originate and are based across the world (with three in the region of Europe, one of which is FireWorks).

**Non-specialist brands:** A non-specialist brand refers to any brand that includes grills as part of their product offering. These include Do-It-Yourself (DIY) retailers that offer 'own-label' grills.

None of the 18 specialist brands operate their own retail stores, although they do all have their own on-line sales channels.

## The market in Beeland

In 2021, sales in Beeland were worth the equivalent of B\$0.55 billion and were split as follows:



The four specialist global brands are less dominant in Beeland, where they have a 52% market share as opposed to their global 70% share. There are three specialist regional brands that sell within Beeland, and FireWorks is the largest of these in terms of sales value. Non-specialist brands have greater influence on the market in Beeland than they do in the rest of the world. One reason for this is that Beeland consumers are more price sensitive and are, unlike consumers elsewhere, less inclined to be swayed by brand names.

In 2021, 32% of grills were sold through on-line sales channels (either direct to consumers from the brand or from retailer websites) in Beeland. The other 68% were sold in retail stores. As this is a significant purchase for most consumers, they will research their purchase carefully before making their final selection. This will include visiting at least one store to inspect and touch the grills on offer.

## Future prospects

The Beeland market for sales of grills is expected to grow on average by 5% a year over the next 5 years. Potential reasons for this include:

- An increasing interest in outdoor cooking.
- Continued development of grills to embrace digital technologies, including precision temperature systems and temperature probes linked to smartphone apps.

## Extract from the FireWorks website: Our products



We manufacture our grills in our own Production Facility. Each grill starts with a cook-box (a base and a lid), which we create from high-grade stainless steel and coat in premium porcelain enamel to protect against rust and corrosion and to give our unique one colour finish. To each cook-box, we add components such as legs, bezels (metal rings that are placed beneath the control dial), dials and the all-important cooking grill plates. Each of our grills is fitted with the best components available and designed to provide the ultimate outdoor cooking experience.

Click on one of the buttons below to find out more about our range of gas, charcoal and electric grills or our range extensive range of grill accessories.



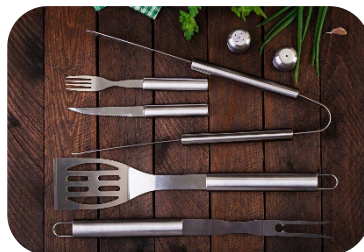
**Gas grills**



**Charcoal grills**



**Electric grills**



**Accessories**

## Customer warranty

FireWorks has an industry-leading parts and labour warranty on all grills.

- The grill cook-box is guaranteed for 10 years. If your cook-box shows signs of rust or burn-through within 10 years, we will replace the grill completely free of charge.
- All other components of your grill (including handles, legs, wheels, bezels, control panels, cooking grills) are guaranteed free of fault for 5 years. In the unlikely event of your grill developing a fault, we will replace or repair the faulty part free of charge.

At FireWorks, our grills are manufactured to such a high standard that we can offer this industry leading warranty with confidence and pride.

### Gas grills

Fit your gas bottle and you are ready to grill with one of our gas-fuelled grills. We offer you two models:

#### Firecracker

- Our premium gas grill model
- Available as Small or Large

#### Crackerjack

- Our basic gas grill model
- Available as Small or Large

### Charcoal grills

Add your charcoal and you are ready to grill with one of our charcoal-fuelled grills. We offer you three models:

#### Spinner

- Our premium charcoal grill model with extra lid vents and a large cooking space

#### Rocket

- Our mid-range charcoal grill model with lid vents and a mid-sized cooking space

#### Sparkler

- Our smallest charcoal grill model without lid vents and with a small cooking space

### Electric grills

The newest grill to our range, launched in 2018, our electrically-powered Wheel grill, allows you to grill, smoke, bake or simply cook. A Wheel grill is effectively an outdoor oven with the ability to lightly smoke your food with the use of flavoured wood pellets. The beauty of the Wheel is that once the temperature is set, the grill can be left to its own devices, unlike a conventional gas or charcoal grill, where somebody needs to stand over the grill.

#### Wheel

- Our premium electric grill model
- Available as Small or Large

### Accessories

We offer you a full range of outdoor grill accessories including grilling tools (tongs, spatulas and turners), secondary grilling racks, cooking gloves and aprons. We also offer a range of grill cookbooks and our own range of charcoal.



## The Directors



### **Managing Director: Catherine Wheeler**

Youngest child of the company founders, Catherine trained as a chef, working in world renowned restaurants. Since joining the company in 2014, she has immersed herself in all aspects of the business. She is responsible for the company's future direction, product development and growth. She is keen for the company to innovate in order to consolidate its reputation for grills which produce delicious food.



### **Finance Director: Ben Bruce**

Ben has worked for FireWorks for 12 years. He started as a Finance Officer and gained his CIMA qualification while working full time for the company. Although Ben has limited experience in other companies, his innate business acumen and technical expertise meant that the board voted unanimously in favour of his promotion to Finance Director in 2021.



### **Production Director: Mavis Jones**

Mavis is a qualified engineer who worked for two other metalwork companies before joining FireWorks in 1994. Mavis has overseen the production of all models of outdoor grills during this time and has an encyclopedic knowledge of every aspect of production. Mavis also helped to establish the relationships that FireWorks enjoys with key suppliers to the production process.



### **Sales & Marketing Director: Sebastian Rofft-Shar**

Seb was elected to the board shortly before Ben Bruce. He was employed as Sales Manager by David Wheeler, with whom he worked closely for over a decade. Seb attends numerous trade fairs and industry events and has extensive contacts and loyal customers. Seb believes that FireWorks is in a position to expand and increase its market share.



### **Human Resources Director: Jayne Bevin**

Jayne joined the company in 2016. She is responsible for ensuring that the human resource plan supports the company's long-term goals. She recruits suitably qualified staff, oversees all induction programmes and has written the company's HR handbooks and protocols. Jayne works very closely with Ben and Mavis.

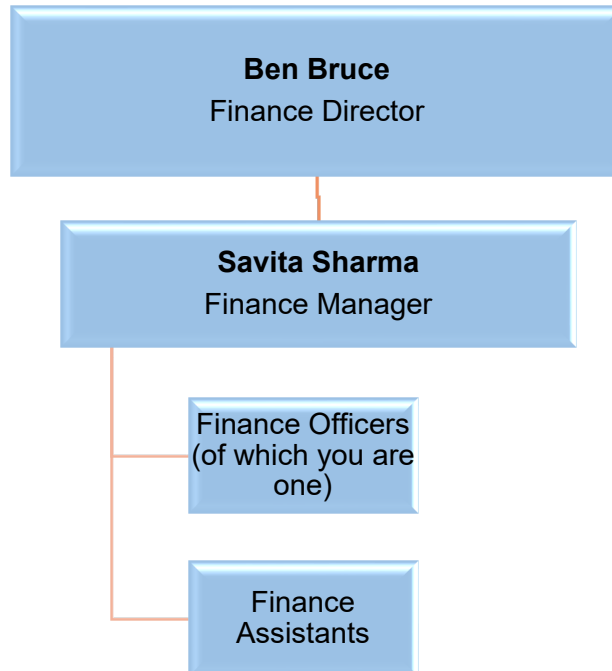


### **Distribution & Logistics Director: Jack Lyons**

Jack has been in charge of distribution and logistics at FireWorks for over 15 years. During this time, the demands of customers have increased in complexity and volume. Jack is responsible for warehouse operatives, drivers and logistics administration. He also maintains the contracts with the many courier companies used by FireWorks.

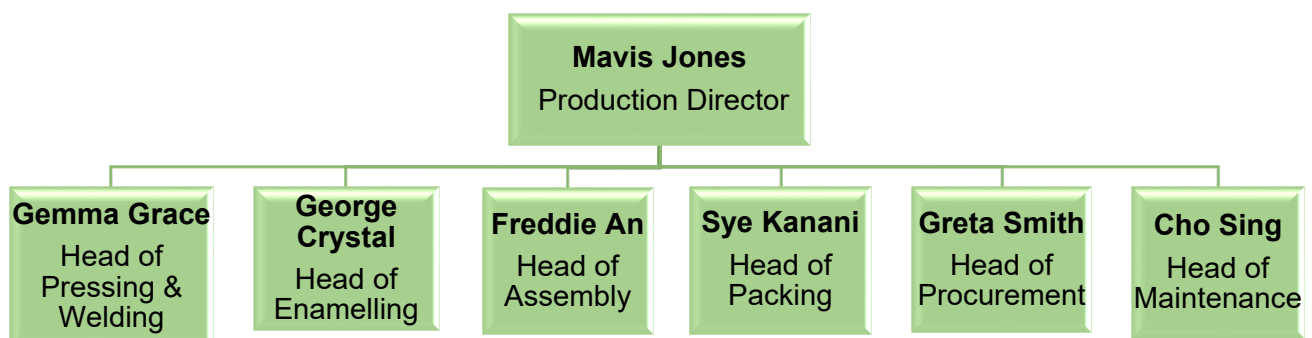
## Management in key departments

### Finance



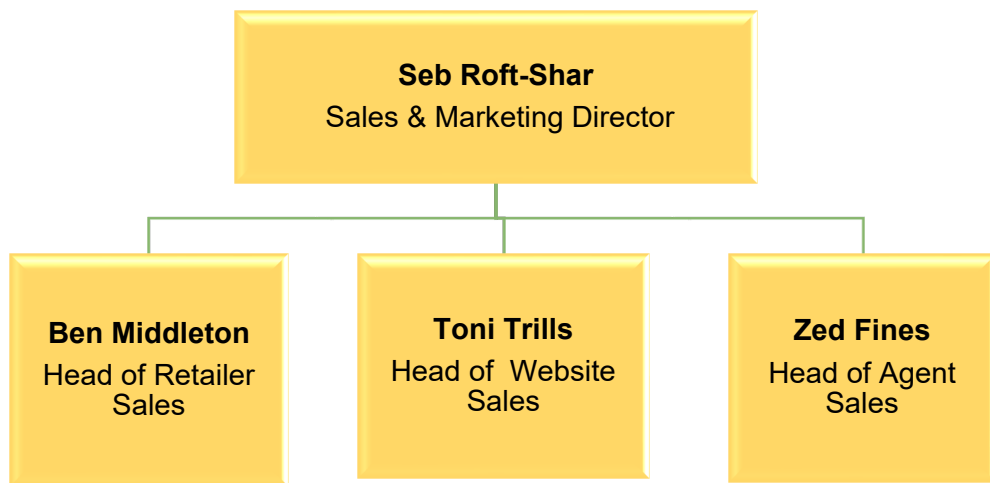
Savita Sharma is responsible for most of the management accounting information and reports produced, as well as the preparation of the financial statements. There are three Finance Officers and five Finance Assistants working in the Finance Department.

### Production



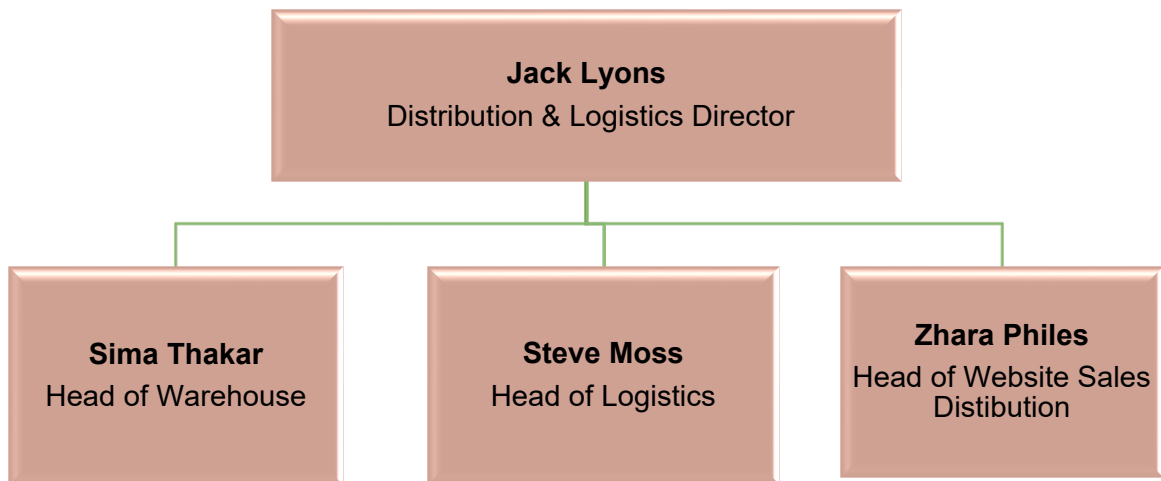
The largest in terms of employees, the Production Department, is the most complex to manage. Despite many challenges, Mavis has led this department successfully through all stages of its growth. Coordination between the sub-departments (Pressing & Welding, Enamelling, Assembly and the service departments) is excellent.

## Sales & Marketing



The sales & marketing employees work extremely closely as a team. Although members of the Sales Department tend to instigate and manage the relationships with their own clients, any member can answer queries in another member's absence. Everyone works well with Jack Lyons and his department and are supplied with distribution updates twice daily. Dynamic and ambitious, Seb wants to expand the market share more than any other director of the company.

## Distribution & logistics



Jack Lyons is responsible for the Distribution Centre. His department consists of able people who support him with finished goods inventory management, distribution and logistics to retailers and third-party agents, as well as with managing the distribution of website sales.

## Extract from the employee induction manual

### Overview of the manufacturing process Introduction

The following is a summary of the FireWorks' manufacturing process and should be read before you take the factory induction tour (usually on Day 2 of the induction programme). Although you are employed to work in a specific department, it is important that you know how FireWorks grills are made (yes, even if you work in an administrative or delivery role!). If you are going to work in one of the manufacturing departments, it is vital that you understand where you fit into the process: what has happened with the product before you work on it, where your contribution starts, who your internal customer is and what they need from you.

### Steel pressing & welding

This is the first stage of our manufacturing process, where we start to transform the raw materials into what we believe are THE BEST outdoor grills on the market. There are three main activities in this stage:

**Laser cutting and preparation:** Highest-grade steel plate is laser cut into the required size and shape, as determined by the production schedule. The metal is coated in a layer of biodegradable soap solution which minimises friction and helps ensure an even pressing.



**Pressing:** The flat, cut-metal shape is placed on a press. The press punches the metal into the relevant shape using 800 tonnes of pressure. All edges are trimmed to make certain that the cook-box base and lid will fit together exactly. This will enhance cooking and fuel efficiency.



**Welding:** Holes for air vents, plus any needed for components to be attached during assembly, are punched in the cook-box bases. Employees then weld additional grill components (for example, leg couplings, ash sweepers, air vents, handle bases) to each cook-box base and lid.

## Enamelling

Our grills are protected against rust and corrosion by a layer of porcelain enamel added at this second, and most technically complicated, stage of the manufacturing process. As well as ensuring that our grills survive bad weather and look good for many years, the enamel also helps to maintain the even cooking temperature vital for producing exceptional food.

**Cleansing:** The cook-box bases and lids are dipped into a cleaning solution and rinsed to remove impurities prior to the addition of the porcelain enamel. Cleansing enables the enamel to adhere correctly to the steel. Enamel applied to uncleaned steel will not cover evenly and will bubble or flake once the grill is in use.



**Application and firing:** A dry coat of enamel (known as frit) is applied to the clean cook-box using an electrostatic spray-gun before being fired in one of our furnaces at approximately 850°C. This ground-coat bonds the enamel to the cook-box. A finishing coat of frit is then applied and fired in the same way to achieve the signature glass-smooth, high pigmented finish of a FireWorks grill.

## Assembly

This is the stage where all the different components required are collected and connected. At FireWorks, we have two assembly teams, known as “Mechanical” and “Technical”. While each team has a degree of specialism and skill set, the teams work in the same location and members frequently change team as need arises.

**Mechanical:** This team is responsible for attaching hinges, brackets, wheels, flanges, handles and so on, to the grill cook-box and frame. This completes the grill to a point where it is easy for the customer to finish the assembly after purchase.



**Technical:** This team fixes the dynamic components to the grill. Any component with integrated control mechanism or measurement role (temperature gauges, gas-burner valves, bezels, woodchip conveyers and so on) is fitted and tested by a member of this team.

## Packing

To help minimise our carbon footprint, and our delivery costs, FireWorks grills are shipped to customers using boxes that take up the smallest amount of space and use the least amount of packaging possible. This means that, to some extent, all of our grills have to be assembled by the customer themselves (at least in terms of bolting on legs and placing burners and grilling racks). At FireWorks, we make sure that customers never have cause to regret their decision to buy from us. We take care that instructions are easy to understand and always included and that the risk of missing parts is minimised. All members of the Packing Department are trained to be experts at filling the correct boxes with the correct components plus assembly instructions and product warranty paperwork.

**Packing:** The Packing Department is a large space where bins of fixings, packaging and paperwork are situated close to the workbenches and pallets of grill parts. This configuration maximises the efficiency of the department. All boxes, once filled, are taped closed and have a barcode attached. Boxes are then placed in a pallet for transportation to the Distribution Centre.

## Day two quiz



As you have now completed the FireWorks factory tour, you should have learned quite a lot about the manufacturing process. See how much you have understood and how much you can remember by taking this quick quiz. It should take no more than 10 minutes. If there are any areas that you feel are unclear about, highlight them and ask your line manager on day three of the induction programme.

<b>Name</b>	<i>Martin Moreles</i>	<b>Date</b>	<i>October 11 2022</i>
<b>Questions</b>		<b>Answers</b>	
How many times can a cook-box base be re-enamelled if there is a fault with the enamelling?		<i>An operative can spot grind a small fault and re-fire it with enamel ONE more time. Larger faults cannot be re-enamelled and the cook-box base then has to be scrapped.</i>	
On average, how many people work in the packing department?		<i>27</i>	
What is the advantage of using austenitic steel rather than ferritic steel to the customer?		<i>Austenitic steel contains more nickel which makes it more durable and less likely to corrode. In addition, it retains more heat which makes for better cooking control.</i>	
What is the manufacturing advantage of using austenitic steel rather than ferritic steel?		<i>Welding austenitic steel properly is easier. Therefore, less faults and less reworks/scrap.</i>	
How many faulty cook-boxes were returned by customers during 2021?		<i>142</i>	
On average, how long does it take to reset the pressing machines for a different grill model?		<i>60 minutes</i>	
What information is contained on the packaging barcodes?		<i>Batch number, type of grill, time/date of packing, name of packer.</i>	
What use is the information on the packaging barcodes?		<i>The information is used for updating finished goods inventory, checking the workflow speed of the factory and identifying staff that need further training.</i>	

Martin Moreles' answers (above) are all correct.

## Other information about company operations

### Production Facility

All FireWorks grills are manufactured at the company's single Production Facility, which includes a large raw materials warehouse, located for ease of moving the inputs into the production building. Within the Production Facility, there are four production departments:

- Steel pressing & welding
- Enamelling
- Assembly
- Packing

Production at the Production Facility is an all-year round activity, despite seasonality affecting sales quite significantly. Typically, sales are highest in the warmer spring and summer months and are significantly lower in the colder autumn and winter months. FireWorks aims to produce at a constant rate throughout the year. Therefore, inventory of finished goods increases in the colder months and decreases in the warmer months.

### Purchasing and suppliers

The company has always focussed on buying high-quality raw materials to manufacture a top-quality product. The main inputs into the manufacturing process are:

- Heavy-gauge austenitic stainless steel. This is high grade stainless steel available from many suppliers throughout Europe. FireWorks has excellent relations with a few trusted suppliers. These relationships helped FireWorks in 2007 when global steel prices increased sharply, as the best possible prices were secured. FireWorks has remained loyal to these suppliers and has not purchased steel from any other suppliers for over 15 years.
- Frit. This is a specialised material. Debbie Wheeler believed that if the enamel quality failed, it would cost the company dearly in terms of reworks, scrap and reputation. Therefore, while other suppliers exist, Debbie made the decision to always buy frit from a single trusted supplier.
- Additional components. These include bezels, control panels, wheels, handles and so on. These are purchased from many approved suppliers. FireWorks specifies the exact requirements from the in-house designs, and suppliers submit their tenders. In recent years, as FireWorks has become a more significant customer, the tenders have become more competitive, which has benefitted FireWorks.

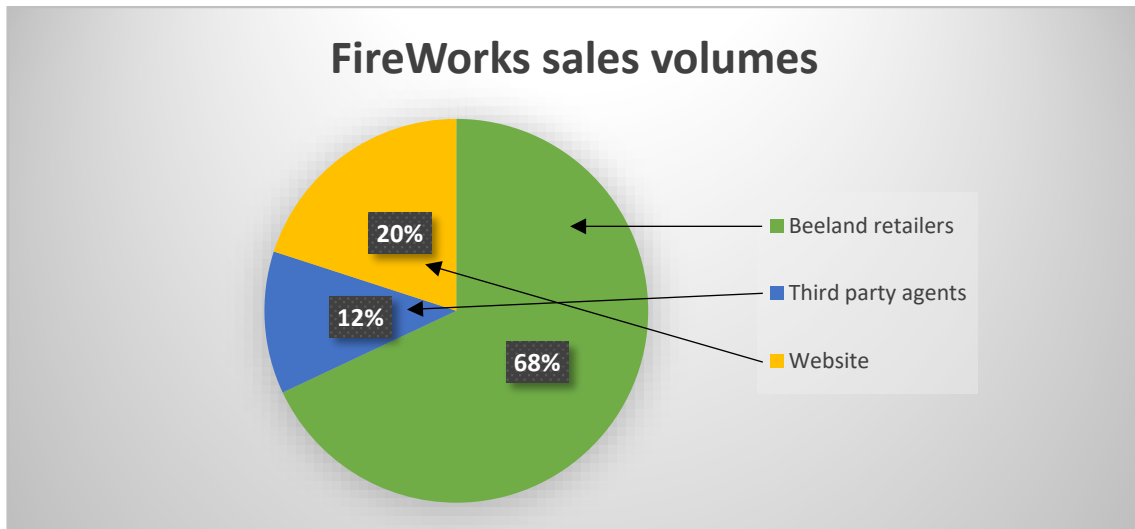
All accessories are purchased from good quality suppliers. These are usually companies that manufacture and sell their own designs under their own label. The products that they supply to FireWorks tend to be the same products, sometimes with minor modifications, but with the FireWorks logo added.

Non-key manufacturing materials are purchased based on lowest price at time of purchase. Non-manufacturing supplies, such as stationery, tend to be purchased the same way. Several managers in the company buy items they need for their work and claim the money back through petty cash.



## Sales markets and sales channels

FireWorks sells its grills via three sales channels: through retailers based in Beeland, to customers in other countries via third-party agents and direct to customers in Beeland via the company's own website. For the year ended 30 June 2022, grill sales volumes through each sales channel were split as follows:



**Beeland retailers:** FireWorks has always sold its products via selected retail outlets in Beeland. These include garden centres, quality department stores and specialist outdoor stores. These outlets are not only important in terms of the volume of sales they generate but also because they provide the opportunity for potential customers to view the grills before buying. Purchasing a FireWorks grill represents a significant investment to most households and potential customers like to take time to compare the build quality, aesthetics, ease of use and so on, to other brands before committing themselves.

**Third-party agents:** At present, FireWorks does not have a physical presence (manufacturing, distribution or sales office) in any other country. However, its grills are sold in other countries via third-party agents.

**Website:** In 2001, the company established its own website. In 2004, after investment in the Distribution Centre and new technology, it began selling direct to customers. Website sales currently account for around 20% of total volumes sold. Research suggests that most sales from the website are from either repeat customers or new customers who have visited a retail outlet and viewed the grills on display.

## Distribution Centre and logistics

The company has a Distribution Centre located near to the Production Facility. Finished goods are transferred from the Production Facility to the Distribution Centre daily to be stored. Purchases of accessories are received direct into the Distribution Centre from suppliers.

FireWorks has its own fleet of delivery vehicles which it uses to transport goods to retailers throughout Beeland. This fleet of vehicles is also used to transport goods to the warehouses of third-party agents, most of which are located near Beeland's borders. The third-party agent deals with all aspects of exporting to other countries.

Within the Distribution Centre, there is a dedicated area where website orders are processed. Any accessories for an order are packaged together into one box for despatch. Grills are despatched in the box that they have been packed in (no additional packaging is added). External courier services are used to deliver items to the customer.

## Employees

FireWorks had the following number of employees on 30 June 2022:

	Number
Production	190
Distribution and logistics	85
Head Office	41
	<b>316</b>

## Standard costing and budgets

The company operates a standard absorption costing system using departmental overhead absorption rates based on either direct labour hours or machine hours. Standard cost cards are produced for each grill design and are updated annually. Standard costs are used for the purposes of valuing inventory in the financial statements.

Budgets are prepared annually on an incremental basis. Operational managers have limited involvement in budget setting.

## Financial statements for the year ended 30 June 2022

### FireWorks

#### Statement of profit or loss for the year ended 30 June 2022

	2022 B\$000	2021 B\$000
Revenue	76,540	72,920
Cost of sales	(44,339)	(41,900)
<b>Gross profit</b>	<b>32,201</b>	<b>31,020</b>
Selling, distribution and marketing costs	(15,800)	(15,460)
Administrative expenses	(9,240)	(9,030)
<b>Operating profit</b>	<b>7,161</b>	<b>6,530</b>
Finance costs	(263)	(225)
<b>Profit before tax</b>	<b>6,898</b>	<b>6,305</b>
Income tax expense	(1,725)	(1,576)
<b>Profit for the year</b>	<b>5,173</b>	<b>4,729</b>

**FireWorks****Statement of financial position at 30 June 2022**

	<b>2022 B\$000</b>	<b>2022 B\$000</b>	<b>2021 B\$000</b>	<b>2021 B\$000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	13,560		13,670	
Right-of-use assets	2,480		1,200	
		16,040		14,870
<b>Current assets</b>				
Inventory	8,252		7,825	
Trade receivables	9,360		7,956	
Prepayments and other receivables	623		540	
Cash and cash equivalents	1,783		890	
		20,018		17,211
<b>Total assets</b>		<b>36,058</b>		<b>32,081</b>
<b>EQUITY AND LIABILITIES</b>				
Issued B\$1 equity share capital	1,000		1,000	
Retained earnings	21,453		19,280	
<b>Total equity</b>		22,453		20,280
<b>Non-current liabilities</b>				
Borrowings	2,300		2,300	
Lease liability	600		450	
		2,900		2,750
<b>Current liabilities</b>				
Trade payables	6,230		5,745	
Accruals and other payables	1,250		1,130	
Tax liability	1,725		1,576	
Lease liability	1,500		600	
		10,705		9,051
<b>Total equity and liabilities</b>		<b>36,058</b>		<b>32,081</b>

**FireWorks****Statement of cash flows for the year ended 30 June 2022**

	<b>2022 B\$000</b>	<b>2022 B\$000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	6,898	
<b>Adjustments</b>		
Depreciation of property, plant and equipment	1,540	
Depreciation of right-of-use assets	320	
Finance costs	263	
<b>Movements in working capital</b>		
Increase in inventory	(427)	
Increase in trade and other receivables	(1,487)	
Increase in trade and other payables	605	
<b>Cash generated from operations</b>		<b>7,712</b>
Tax paid		(1,576)
Interest paid		(263)
<b>Net cash inflow from operating activities</b>		<b>5,873</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,430)	
<b>Net cash outflow from investing activities</b>		<b>(1,430)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(3,000)	
Repayment of lease principal	(550)	
<b>Net cash outflow from financing activities</b>		<b>(3,550)</b>
<b>Net increase in cash and cash equivalents</b>		<b>893</b>
Cash and cash equivalents at the start of the year		890
<b>Cash and cash equivalents at the end of the year</b>		<b>1,783</b>

## Budget information for the year ending 30 June 2023

### Budgeted gross profit

	<b>Gas grills B\$000</b>	<b>Charcoal grills B\$000</b>	<b>Electric grills B\$000</b>	<b>Accessories B\$000</b>	<b>Total B\$000</b>
Sales revenue	40,040	27,720	10,400	1,950	80,110
Cost of sales	(22,262)	(18,855)	(4,258)	(1,120)	(46,495)
<b>Gross profit</b>	<b>17,778</b>	<b>8,865</b>	<b>6,142</b>	<b>830</b>	<b>33,615</b>
<b>Gross profit margin</b>	<b>44.4%</b>	<b>32.0%</b>	<b>59.1%</b>	<b>42.6%</b>	<b>42.0%</b>

### Product codes:

#### Gas grills:

- FCR = Firecracker
- CJK = Crackerjack

#### Charcoal grills:

- SKL = Sparkler
- RKT = Rocket
- SNR = Spinner

#### Electric grills:

- WHL = Wheel

## Gas grills: sales revenue

	<b>FCR: Small</b>	<b>FCR: Large</b>	<b>CJK: Small</b>	<b>CJK: Large</b>	<b>Total</b>
<b>Sales volumes:</b>					
Website	3,000	1,600	5,600	4,000	14,200
Retailers and agents	12,000	6,400	22,400	16,000	56,800
<b>Total</b>	<b>15,000</b>	<b>8,000</b>	<b>28,000</b>	<b>20,000</b>	<b>71,000</b>
<b>Average sales prices:</b>	<b>B\$</b>	<b>B\$</b>	<b>B\$</b>	<b>B\$</b>	
Website	750.00	1,100.00	500.00	800.00	
Retailers and agents	562.50	825.00	375.00	600.00	
<b>Sales revenue:</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>
Website	2,250	1,760	2,800	3,200	10,010
Retailers and agents	6,750	5,280	8,400	9,600	30,030
<b>Total</b>	<b>9,000</b>	<b>7,040</b>	<b>11,200</b>	<b>12,800</b>	<b>40,040</b>

## Gas grills: cost of sales

	<b>FCR: Small</b>	<b>FCR: Large</b>	<b>CJK: Small</b>	<b>CJK: Large</b>	<b>Total</b>
Total sales volumes	15,000	8,000	28,000	20,000	<b>71,000</b>
<b>Production cost per unit:</b>	<b>B\$</b>	<b>B\$</b>	<b>B\$</b>	<b>B\$</b>	
Raw materials	209.00	297.25	168.40	271.50	
Direct labour	29.81	32.91	25.90	29.00	
Variable production overhead	12.93	14.62	11.94	13.63	
Fixed production overhead	51.70	58.50	47.74	54.54	
<b>Total cost per unit</b>	<b>303.44</b>	<b>403.28</b>	<b>253.98</b>	<b>368.67</b>	
	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>
<b>Total cost of sales</b>	<b>4,552</b>	<b>3,226</b>	<b>7,111</b>	<b>7,373</b>	<b>22,262</b>

## Charcoal grills: sales revenue

	SNR	RKT	SKL	Total
<b>Sales volumes:</b>				
Website	1,600	8,600	12,800	23,000
Retailers and agents	6,400	34,400	51,200	92,000
<b>Total</b>	<b>8,000</b>	<b>43,000</b>	<b>64,000</b>	<b>115,000</b>
<b>Average sales prices:</b>	<b>B\$</b>	<b>B\$</b>	<b>B\$</b>	
Website	450.00	350.00	250.00	
Retailers and agents	337.50	262.50	187.50	
<b>Sales revenue:</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>
Website	720	3,010	3,200	6,930
Retailers and agents	2,160	9,030	9,600	20,790
<b>Total</b>	<b>2,880</b>	<b>12,040</b>	<b>12,800</b>	<b>27,720</b>

## Charcoal grills: cost of sales

	SNR	RKT	SKL	Total
Total sales volumes	8,000	43,000	64,000	<b>115,000</b>
<b>Production cost per unit:</b>	<b>B\$</b>	<b>B\$</b>	<b>B\$</b>	
Raw materials	110.00	98.25	80.00	
Direct labour	26.30	22.24	19.99	
Variable production overhead	12.79	11.50	10.00	
Fixed production overhead	51.16	45.98	40.01	
<b>Total cost per unit</b>	<b>200.25</b>	<b>177.97</b>	<b>150.00</b>	
	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>
<b>Total cost of sales</b>	<b>1,602</b>	<b>7,653</b>	<b>9,600</b>	<b>18,855</b>



**Electric grills: sales revenue**

	<b>WHL: Small</b>	<b>WHL: Large</b>	<b>Total</b>
<b>Sales volumes:</b>			
Website	1,200	800	2,000
Retailers and agents	4,800	3,200	8,000
<b>Total</b>	<b>6,000</b>	<b>4,000</b>	<b>10,000</b>
<b>Average sales prices:</b>	<b>B\$</b>	<b>B\$</b>	
Website	1,100.00	1,600.00	
Retailers and agents	825.00	1,200.00	
<b>Sales revenue:</b>	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>
Website	1,320	1,280	2,600
Retailers and agents	3,960	3,840	7,800
<b>Total</b>	<b>5,280</b>	<b>5,120</b>	<b>10,400</b>

**Electric grills: cost of sales**

	<b>WHL: Small</b>	<b>WHL: Large</b>	<b>Total</b>
Total sales volumes	6,000	4,000	<b>10,000</b>
<b>Production cost per unit:</b>	<b>B\$</b>	<b>B\$</b>	
Raw materials	265.50	359.50	
Direct labour	35.70	41.10	
Variable production overhead	16.31	17.99	
Fixed production overhead	65.22	71.95	
<b>Total cost per unit</b>	<b>382.73</b>	<b>490.54</b>	
	<b>B\$000</b>	<b>B\$000</b>	<b>B\$000</b>
<b>Total cost of sales</b>	2,296	1,962	<b>4,258</b>

### Example standard cost card

<b>Firecracker (FCR): Small</b>				
	<b>Quantity / hours</b>	<b>Standard price / rate B\$</b>	<b>Standard cost B\$</b>	<b>Standard cost B\$</b>
<b>Materials:</b>				
Steel sheets	1.50 m <sup>2</sup>	40.00	60.00	
Other materials and consumables			3.50	
Frit	2.00 kg	15.00	30.00	
Bought in components			110.00	
Packaging			5.50	
<b>Total</b>				<b>209.00</b>
<b>Direct labour:</b>				
Steel pressing & welding	0.50 hours	20.00	10.00	
Enamelling	0.20 hours	20.00	4.00	
Assembly	0.60 hours	17.00	10.20	
Packing	0.33 hours	17.00	5.61	
<b>Total</b>				<b>29.81</b>
<b>Variable production overheads:</b>				
Steel pressing & welding	0.50 DLH*	8.68	4.34	
Enamelling	0.50 MH*	8.54	4.27	
Assembly	0.60 DLH	4.11	2.47	
Packing	0.33 DLH	5.61	1.85	
<b>Total</b>				<b>12.93</b>
<b>Fixed production overheads:</b>				
Steel pressing & welding	0.50 DLH	34.70	17.35	
Enamelling	0.50 MH	34.16	17.08	
Assembly	0.60 DLH	16.44	9.86	
Packing	0.33 DLH	22.44	7.41	
<b>Total</b>				<b>51.70</b>
<b>Total production cost</b>				<b>303.44</b>

\*DLH is direct labour hours and MH is machine hours.

## Notes on standards and budget preparation

1. Standards are reviewed and updated annually.
2. Normal raw material losses are included in the standard cost of each product.
3. All direct labour overtime premium is treated as variable production overhead. Idle time is not budgeted for.
4. Production overheads are allocated and apportioned to production cost centres and absorbed on either a direct labour hour, or a machine hour basis. There are four production cost centres: Steel pressing & welding, Enamelling, Assembly and Packing. Each production cost centre has its own variable and fixed production overhead absorption rates.
5. Budgeted selling prices include an allowance for planned discount promotions.

## Articles

# American Food Today

## The five-minute interview with Elsie Springer

**Udenfor Grills (Udenfor), a giant among grill manufacturers, has been running grill cookery classes here in North America since 2015. These classes teach delegates how to prepare exquisite meals using Udenfor's charcoal or gas grills and have proved extremely popular. My five-minute interview this month is with Chuck Eastwood: Chief Executive of Udenfor who explains the reasoning behind his company's diversification from its core metalworks business.**

**Elsie:** Welcome Chuck. What inspired a metalworks company to set up a cookery school?

**Chuck:** We have never seen ourselves as simply a metalworks company. Our focus has always been on enabling as many people as possible to cook great food outdoors. The cookery school is a natural extension of this vision.

**Elsie:** Yes, that does make sense now you have explained it. What does a class consist of?

**Chuck:** All our classes are one-day events, and we cover anything to do with grill cooking. Some classes may include an introductory session on how to light a charcoal grill properly or some may have a celebrity host, but the core of all classes is a chef showing delegates how to cook, followed by the delegates cooking. Delegates bring their own ingredients to the classes.

**Elsie:** What exactly do you cook in the classes?

**Chuck:** If it can be cooked on an outdoor grill, we have included it in a class at some time. Some classes may focus on how to be sure a wiener is not raw while other classes may have delegates preparing and cooking the perfect chateaubriand steak with all the trimmings. We cook desserts, breads, pot roasts, vegetables, shellfish, meat, pizza ... our itinerary is constantly changing. The only rule is that everything is cooked on Udenfor grills.

**Elsie:** Who attends your classes?

**Chuck:** Absolutely anyone! Sometimes people who have never cooked before. People buy classes as gifts, people come as a group of friends and couples love our romance-themed classes. All classes are fun, laughter-filled, expertly delivered and there is always a great meal at the end.

**Elsie:** I heard you have introduced vegan meals into the classes recently. Is this true?

**Chuck:** Absolutely! Times move on, we are no longer the meat, meat and more meat nation that we were twenty years ago. An Udenfor grill suits all dietary lifestyles.

**Elsie:** Can you tell me about "Chuck's trucks"?

**Chuck:** (Laughing) When I first suggested the concept of the cookery classes at Udenfor, the finance guys insisted that we kept investment low. I really don't think they had any faith in the idea at all (laughs). I came up with the idea that classes could be run as "pop up" events as we toured the country. We bought a truck and customised it with refrigeration, equipment storage, washing facilities and awnings and hey presto! we had a mobile, outdoor teaching kitchen. The board nicknamed it "Chuck's truck". We keep as many of our costs as variable as possible so that we can avoid them at short notice. We rent suitable cook-sites by the day and only employ freelance chefs/tutors to deliver the classes. We run classes at corporate events, festivals and campouts, all using the truck's facilities. I am incredibly proud of the idea, and it has been a great success, although providing a service is a different animal to manufacturing grills.

**Elsie:** Is it true that you will run a class with only one delegate?

**Chuck:** Udenfor has a reputation for honesty and reliability and if we advertise a class only one person wants to attend, we will run it at a loss. However, I need to add that this has only happened once in seven years. Our classes are very popular, and we are usually oversubscribed.

**Elsie:** You could raise the cap on the number of delegates per class up from 20.

**Chuck:** No, we could not! Our chef team can personally supervise up to 20 people, ensuring that every delegate has the individual guidance they need – even though it feels like a cookout with friends. If we allowed more delegates, we would lose the uniqueness and magic of the classes.

**Elsie:** I believe that since the cookery school started, the sale of your grills has increased substantially

**Chuck:** I like to believe that the classes enlighten people about the benefits of owning a Udenfor grill. (laughs)

**Elsie:** That's time! Chuck, thank you very much for this interview, it's been a pleasure.

# Living life outside

No. 53

B\$3.75



## Cooking 'on the go' is growing up

Ozi Patel – Travel Writer

When most people think about outdoor cooking on the go, they summon up images like the one shown here, marshmallows on sticks over an open fire. Or, if you're more adventurous, perhaps you picture baked beans bubbling in an old pan over a single flame gas stove.

But outdoor gas cooking has moved on in recent years, with many brands investing heavily in new technologies which allow for the production of lightweight, highly portable cooking grills, with the functionality of the high-end full sized outdoor grill.

Today I visited the factory of one key player and was shown their new prototype camping grill. So much more than a typical gas camping stove, it featured a sturdy double grill and a separate warming area but could be packed up so small it would fit into a compact family car along with your buckets, spades and picnic blanket to take along whenever you fancied a picnic on the beach. I was not allowed to take any pictures, as the grill is not due to be launched for some months, but when it does, it will certainly be on my birthday present list!

I was also given a sneak peek at some of the other developments they were working on, including better temperature controls, easier cleaning grills and smart technologies which would allow you to control your grill from your phone. None were due to hit the market immediately, but if, like me, you love cooking outdoors, then it's certainly worth keeping an eye out for new developments over the coming months.

Cooking on the go is coming of age! Once the bastion of Scouts and only the hardiest of campers, it will soon be a desirable option for all.

## Tax regime in Beeland

- The corporate income tax rate to be applied to taxable profits is 25%.
- Unless otherwise stated below, accounting rules on recognition and measurement are followed for tax purposes.
- The following expenses are not allowable for tax purposes:
  - accounting depreciation
  - amortisation
  - impairment charges
  - entertaining expenditure
  - donations to political parties
  - taxes paid to other public bodies.
- Tax depreciation allowances are available on all items of plant and equipment (including computer equipment) at a rate of 25% per year on a reducing balance basis. A full year's allowance is available in the year that the asset is acquired. Tax depreciation allowances are not available for property assets.
- Tax losses can be carried forward indefinitely to offset against future taxable profits from the same business.
- Sales tax is charged on all standard rated goods and services at a rate of 20%. Tax paid on inputs into a business can be netted off against the tax charged on outputs from that business. All businesses are required to pay over the net amount due on a monthly basis.