Description

Please feel free to choose between a PowerPoint or paper. Thanks! Prepare either a 3-4 page report or a 12-slide presentation in which you analyze financial information and risks associated with an investment to expand an organization and make a recommendation on whether or not to invest in expansion. Introduction This portfolio work project will allow you to review information and risks associated with an investment to expand an organization. As this information will be shared broadly across the organization, you will have a choice in your final deliverable audience and will organize your deliverable to meet the needs of that audience. Scenario ZXY Company is a food product company. ZXY is considering expanding to two new products and a second production facility. The food products are staples with steady demands. The proposed expansion will require an investment of $7,000,000 for equipment with an assumed ten-year life, after which all equipment and other assets can be sold for an estimated $1,000,000. They will be renting the facility. ZXY requires a 12 percent return on investments. You have been asked to recommend whether or not to make the investment. Your Role You are an accounting manager. Your boss has asked you to review and provide a recommendation on the expansion based on information that has been provided. Requirements In preparing and supporting your recommendation to either make the investment or not, include the following items as part of your analysis: Analysis of financial information. Identification of risks associated with the investment. Consider: How risky the project appears. How far off your estimates of revenues and expenses can be before your decision would change. The difference if the company were to use a straight line versus a MACRS depreciation. Recommendation for a course of action. Explanation of criteria supporting your recommendation. Financial Information As part of your analysis you might find that additional information from marketing, accounting, or finance would be useful in making an informed and well-supported recommendation. In a real workplace setting you would have the ability to ask for that information. However, for the purposes of this assessment, you can make assumptions about the values of that data or ratios in support of your recommendation. Accounting worked with the marketing group to create the ZXY Company Financial Statements spreadsheet for the new products business and the new facility. Notes about the financial information: The expense line labeled SQF FDA Mandates refers to the costs of complying with Food and Drug Administration requirements. Depreciation expense is calculated using 7-year life modified accelerated cost recovery system (MACRS). Deliverable Format Depending on the audience you choose to address, use one of the following options: Report for a mid-management audience. Prepare a 3–4 page report detailing your recommendation and the information you used to make your recommendation. Presentation for top leadership. Prepare a presentation of at least 12 slides detailing your recommendation and the information you used to make your recommendation. You may use your choice of presentation software. Include notes with additional details. Keep in mind that your recommendation may be shared with others, so your materials should be designed for clarity and readability. Related company standards for either format: The recommendation report is a professional document and should therefore follow the corresponding MBA Academic and Professional Document Guidelines, including single-spaced paragraphs. In addition to the report or presentation, include: Title (slide or page). References (slide or page). Appendix with supporting materials. At least two APA-formatted references. Evaluation By successfully completing this assessment, you will demonstrate your proficiency in the following course competencies through corresponding scoring guide criteria: Competency 2: Apply principles of accounting to assess financial performance. Analyze financial statements for decision support. Explain risks associated with an investment decision. Competency 3: Analyze accounting information to support business decisions. Recommend a course of action based on financial information. Explain how financial criteria support a decision. Competency 4: Communicate financial information with multiple stakeholders. Communicate accounting information clearly. Faculty will use the scoring guide to review your deliverable as if they were your boss. Review the scoring guide prior to developing and submitting your assessment. Resources: The following resources discuss making outsourcing and deletion of services, products, and departments decisions: Marshall, D., McManus, W., & Viele, D. (2020). Accounting: What the numbers mean (12th ed.). New York, NY: McGraw-Hill. Available in the courseroom via the VitalSource Bookshelf link. Chapter 15, "Cost Control." Chapter 16, "Costs for Decision Making." McIvor, R. (2011). Outsourcing. In J. Law, Business: the Ultimate Resource (3rd ed.). London, UK: A&C Black. Skillsoft Tutorial The following interactive course provides step-by-step instruction and practice with concepts related to this assessment: Skillsoft. (n.d.). Basic accounting concepts for non-financial professionals [Tutorial]. Negating Risk Like a Pro. Expansion Considerations The following articles cover a variety of considerations involved in making expansion decisions: Momani, A. M., Al-Hawari, T. H., & Mousa, R. W. (2016). Using expanded real options analysis to evaluate capacity expansion decisions under uncertainty in the construction material industry. South African Journal of Industrial Engineering, 27(2), 1–14. Deossa, P., De Vos, K., Deconinck, G., & Espinosa, J. (2017). Generation expansion models including technical constraints and demand uncertainty. Journal of Applied Mathematics, 2017, 1–11. Energy costs factor into business development, expansion decisions. (2017, February 15). Energy Monitor Worldwide.