In this final assessment, you are required to demonstrate to a board of directors the viability of your business. This report needs to be based on the full completed 6 quarters. Note, the board of directors has not seen the business plan presented to the venture capitalists.

This final assessment consists of two components

1) A 20-slide powerpoint presentation – the kind of presentation that would be given at board level. Details of suggested content is attached.
2) An accompanying 1,500 word (max) script in the form a "board pitch" – a written transcript of the verbal presentation that would be given to accompany each of the slides.

Once you have completed the powerpoint slides, save each powerpoint slide as a JPEG, and copy each one onto a separate page of a word document. Then, place the text accompanying each particular slide on that page, below the slide. It is advisable to have one powerpoint slide and its associated narrative per sheet of A4. This final word document must be submitted via turnitin. It is not necessary to submit the actual powerpoint document. Assignments will not be accepted in any other format.

The Report to the Board should include the following components:

A. Review your financial and market performance during the second year

B. Highlight the key features from the business plan which was presented to the venture capitalists (lecturer) (note, this must be updated with feedback highlighted and incorporated)
   1. Marketing strategy
   2. Sales Channel strategy
   3. Human Resource strategy
   4. Manufacturing strategy
   5. Financial strategy
   6. Ethical and Social Implications

C. Assess your business strategy and performance during the second year
   1. Compare actions taken the against business plan
   2. Discuss departures from the business plan, justification, and outcome
   3. Review significant events that affected the company and/or market

D. Assess your current situation and the market (What are your firm's strengths and Weaknesses)

E. Summarise how you have prepared your firm to compete in the future.

F. What were the lessons learned.

For example

Report to the Board

Industry results for quarter: 6	Minimum	Maximum	Average	Trustearn Computers
Total Performance	0.709	79.158	44.819	55.371
Financial Performance	7.294	72.152	48.571	66.720
Market Performance	0.140	0.335	0.242	0.335
Marketing Effectiveness	0.803	0.890	0.833	0.823
Investment in Future	2.302	5.720	4.564	2.302
Wealth	0.319	2.151	0.934	2.151
Human Resource Management	0.787	0.894	0.846	0.892
Asset Management	1.069	3.372	1.806	1.181
Manufacturing Productivity	0.567	0.858	0.679	0.578
Financial Risk	0.858	1.000	0.972	1.000

The report to the board shows that….

Please write your text under the slide to which it relates, like this…

Total 1500words – **You need to write it in language that reflects how you would speak to a board in front of them in a presentation. Please do not write it in any other format i.e. Essay or Report.**

1. Cover page – script around 10 words
2. Contents – script around 40 words.
3. Overview – script around 85 words – overall company's performance
4. Financial performance – script around 85 words
5. Market performance – script around 85 words
6. Marketing strategy – script around 85 words
7. Sales Channel strategy – script around 85 words
8. Human Resource strategy – script around 85 words
9. Manufacturing strategy – script around 85 words
10. Financial strategy – script around 85 words
11. Ethical and social Implications – script around 85 words
12. Compare actions taken the against business plan – script around 85 words
13. Discuss departures from the business plan, justification, and outcome– script around 85

words

14. Review significant events that affected the company and/or market – script around 85 words
15. What are your firm's strengths and Weaknesses – script around 85 words
16. What are your firm's strengths and Weaknesses – script around 85 words
17. Summarise how you have prepared your firm to compete in the future. – script around 85 words
18. What were the lessons learned – script around 85 words
    - How did you benefit from participating in the simulation – 40words
    - Are there any lessons that you can take into the business world – 45words
19. Q&A – script around 85 words
    -How close was your Q5/Q6 forecast to your actual results?
    -What is the biggest risk to your business?
    -What is your Debt : Equity plan going forward?
    -What type of CEO are you?
20. Reference list (must do in-text reference and reference list – Harvard style)

Followings are the relative data and my opinion.

The Report to the Board should include the following components:

1. Overview

– overview Trustearn computers performance

Cumulative industry results for quarter: 6

	Minimum	Maximum	Average	Trustearn Computers
Cumulative Total Performance	0.130	109.414	33.073	109.414
Cumulative Financial Performance	2.977	77.044	35.064	77.044
Cumulative Market Performance	0.149	0.410	0.242	0.410
Cumulative Marketing Effectiveness	0.761	0.796	0.778	0.769
Cumulative Investment in Future	2.302	5.720	4.564	2.302
Cumulative Wealth	0.319	2.151	0.934	2.151
Cumulative Human Resource Management	0.718	0.843	0.779	0.843
Cumulative Asset Management	0.713	2.141	1.330	1.385
Cumulative Manufacturing Productivity	0.454	0.913	0.743	0.779
Cumulative Financial Risk	0.777	1.000	0.925	1.000

Cumulative Total Performance = Cumulative Financial Performance * Cumulative Market Performance * Cumulative Marketing Effectiveness * Cumulative Investment in Future * Cumulative Wealth * Cumulative Human Resource Management * Cumulative Asset Management * Cumulative Manufacturing Productivity * Cumulative Financial Risk

= 77.044 * 0.410 * 0.769 * 2.302 * 2.151 * 0.843 * 1.385 * 0.779 * 1.000
= 109.414

Cumulative Financial Performance: 77.044
Cumulative Market Performance: 0.410
Cumulative Marketing Effectiveness: 0.769
Cumulative Investment in Future: 2.302
Cumulative Wealth: 2.151
Cumulative Human Resource Management: 0.843
Cumulative Asset Management: 1.385
Cumulative Manufacturing Productivity: 0.779
Cumulative Financial Risk: 1.000

Cumulative Financial Performance

Cumulative Financial Performance = (Financial Performance Q3 + Financial Performance Q4 + Financial Performance Q5 + Financial Performance Q6) / 4

= (31.10 + 83.53 + 126.83 + 66.72) / 4
= 77.04

Financial Performance Q3: 31.10
Financial Performance Q4: 83.53
Financial Performance Q5: 126.83
Financial Performance Q6: 66.72

Cumulative Market Performance

Cumulative Market Performance = (Market Performance Q3 + Market Performance Q4 + Market Performance Q5 + Market Performance Q6) / 4

= (0.42 + 0.44 + 0.45 + 0.34) / 4
= 0.41

Market Performance Q3: 0.42
Market Performance Q4: 0.44
Market Performance Q5: 0.45
Market Performance Q6: 0.34

Cumulative Marketing Effectiveness

Cumulative Marketing Effectiveness = (Marketing Effectiveness Q3 + Marketing Effectiveness Q4 + Marketing Effectiveness Q5 + Marketing Effectiveness Q6) / 4

= (0.70 + 0.75 + 0.81 + 0.82) / 4
= 0.77

Marketing Effectiveness Q3: 0.70
Marketing Effectiveness Q4: 0.75
Marketing Effectiveness Q5: 0.81
Marketing Effectiveness Q6: 0.82

Cumulative Investment in Future

Cumulative Investment in Future = Investment in Future Q6

= 2.30

Investment in Future Q6: 2.30

Cumulative Wealth

Cumulative Wealth = Wealth Q6

= 2.15

Wealth Q6: 2.15

Cumulative Human Resource Management

Cumulative Human Resource Management = (Human Resource Management Q3 + Human Resource Management Q4 + Human Resource Management Q5 + Human Resource Management Q6) / 4

= (0.75 + 0.85 + 0.88 + 0.89) / 4
= 0.84

Human Resource Management Q3: 0.75
Human Resource Management Q4: 0.85
Human Resource Management Q5: 0.88
Human Resource Management Q6: 0.89

Cumulative Asset Management

Cumulative Asset Management = (Asset Management Q3 + Asset Management Q4 + Asset Management Q5 + Asset Management Q6) / 4

= (1.45 + 1.40 + 1.51 + 1.18) / 4
= 1.39

Asset Management Q3: 1.45
Asset Management Q4: 1.40
Asset Management Q5: 1.51
Asset Management Q6: 1.18

Cumulative Manufacturing Productivity

Cumulative Manufacturing Productivity = (Manufacturing Productivity Q3 + Manufacturing Productivity Q4 + Manufacturing Productivity Q5 + Manufacturing Productivity Q6) / 4

= (0.68 + 1.00 + 0.86 + 0.58) / 4
= 0.78

Manufacturing Productivity Q3: 0.68
Manufacturing Productivity Q4: 1.00
Manufacturing Productivity Q5: 0.86
Manufacturing Productivity Q6: 0.58

Cumulative Financial Risk

Cumulative Financial Risk = (Financial Risk Q3 + Financial Risk Q4 + Financial Risk Q5 + Financial Risk Q6) / 4

= (1.00 + 1.00 + 1.00 + 1.00) / 4
= 1.00

Financial Risk Q3: 1.00
Financial Risk Q4: 1.00
Financial Risk Q5: 1.00
Financial Risk Q6: 1.00

A. Review your financial and market performance during the second year - focus on quarter 5 and 6 but the presentation needs to include all

quarters

Industry results for quarter: 6				
	Minimum	Maximum	Average	Trustearn Computers
Total Performance	0.709	79.158	44.819	55.371
Financial Performance	7.294	72.152	48.571	66.720
Market Performance	0.140	0.335	0.242	0.335
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Human Resource Management	0.787	0.894	0.846	0.892
Asset Management	1.069	3.372	1.806	1.181
Manufacturing Productivity	0.567	0.858	0.679	0.578
Financial Risk	0.858	1.000	0.972	1.000

Total Performance

The Total Business Performance indicator is a quantitative measure of the executive team's ability to effectively manage the resources of the firm. It considers both the historical performance of the firm as well as how well the firm is positioned to compete in the future. As such, it measures the action potential of the firm.

The index employs what is called a balanced scorecard to measure the executive team's performance. The most important measure is the team's financial performance, and thus its ability to create wealth for the investors. However, the focus on current profits has caused many executives to stress the present at the expense of the future.

The long-term viability of the firm requires that the executive team be good at managing not only the firm's profitability, but also its marketing activities, production operations, human resources, cash, and financial resources. The management team must also invest in the future. These expenses might depress the current financial performance, but are vital to creating new products, markets, and manufacturing capabilities.

In short, top managers must be good at managing all aspects of the firm. The balanced scorecard puts this perspective into practice. It focuses attention on multiple performance measures, and thus multiple decision areas. None can be ignored or downplayed. The best managers will be strong in all areas measured.

The Total Business Performance measure is computed by multiplying several indicators of business performance. This model underscores the importance of all measures. This is because any strength or weakness will have multiple effects on the final outcome, the Action Potential of the Firm.

The following is a summary of the measure of the firm's Total Business Performance and its key performance indicators. The computational details follow. Note that a negative score in any of these indicators will result in a Total Performance of "0".

Primary segment: Mercedes
Secondary segment: Workhorse
Total Performance = Financial Performance * Market Performance * Marketing Effectiveness * Investment in Future * Wealth * Human Resource Management * Asset Management * Manufacturing Productivity * Financial Risk

= 66.720 * 0.335 * 0.823 * 2.302 * 2.151 * 0.892 * 1.181 * 0.578 * 1.000
= 55.371

Financial Performance: 66.720
Market Performance: 0.335
Marketing Effectiveness: 0.823
Investment in Future: 2.302
Wealth: 2.151
Human Resource Management: 0.892
Asset Management: 1.181
Manufacturing Productivity: 0.578
Financial Risk: 1.000

Financial Performance measures how well the executive team has been able to create profits for its shareholders. A positive number is always desired and the larger the better. It is computed in three steps. First, the net profit from operations is computed by taking the operating profit shown in the income statement and adding back investments in the future that are expensed in the current quarter. It measures how well the managers are able to create revenue from the current quarter's marketing, sales and manufacturing activities.

Note that the income statement includes expenditures for R&D. However, this money is spent to create future business opportunities. Thus, these expenses are added back to the operating profit so that the financial performance measure is entirely focused on current quarter revenues and expenses.

Second, the total number of shares of stock is computed by adding all forms of equity investment. If an emergency loan has been taken out, shares of stock will automatically be issued to the loan shark and they become a permanent part of the equity financing.

Third, the net profit from current operations is divided by the number of shares of stock issued to determine the net profit from current operations per share of stock.

Financial Performance = Net Profit from Current Operations / Total Shares Issued

= 5,362,918 / 80,380
= 66.72

Net Profit from Current Operations
= Operating Profit + Investments in Firm's Future = 5,302,918 + 60,000 = 5,362,918
Operating Profit
= Gross Profit - Total Expenses = 12,215,177 - 6,912,259 = 5,302,918
Gross Profit: 12,215,177
Total Expenses: 6,912,259
Investments in Firm's Future
= Cost to Open New Sales Offices and Web Centers + R&D Investment in New Brand Features and New brands = 0 + 60,000 = 60,000
Cost to Open New Sales Offices and Web Centers: 0
R&D Investment in New Brand Features and New brands: 60,000
Total Shares Issued
= Number of Shares Issued to Executive Team + Number of Shares Issued to Venture Capitalists + Number of Shares Issued to Loan Shark = 40,000 + 40,000 + 380 = 80,380
Number of Shares Issued to Executive Team: 40,000
Number of Shares Issued to Venture Capitalists: 40,000
Number of Shares Issued to Loan Shark: 380

Market Performance is a measure of how well the managers are able to create demand in their primary and secondary segments. The firm's market share in two target segments is used to measure this demand creation ability. The market share score is adjusted downwards if there were any stock-outs. This penalty for stock-outs is to underscore two points. First, unnecessary resources have been spent to generate more demand than can be satisfied. Second, ill will has been created by having potential customers become frustrated when they do not find the products that they have been persuaded to buy. The score ranges from 0 to 1.0 and will depend upon the number of competitors. If there are 3 firms, a good score would be greater than 0.5. If there are 8 teams, a good score would be greater than 0.35.

Market Performance = Average Market Share in Targeted Segments / 100 * Percent of Demand Actually Served / 100

= 34 / 100 * 100 / 100
= 0.34

Average Market Share in Targeted Segments
= (Market Share in Primary Segment + Market Share in Secondary Segment) / 2 = (29 + 38) / 2 = 34
Market Share in Primary Segment: 29
Market Share in Secondary Segment: 38
Percent of Demand Actually Served
= ((Total Net Demand - Number of Stock-outs) / Total Net Demand) * 100 = ((6,220 - 0) / 6,220) * 100 = 100
Total Net Demand: 6,220
Number of Stock-outs: 0

Marketing Effectiveness is a measure of how well the managers have been able to satisfy the needs of the customers as measured by the quality of their brands and ads. Customer perceptions of the firm's brands and ads in its primary and secondary segments are used to measure customer satisfaction. The two scores are then averaged to obtain the indicator for marketing effectiveness. The score ranges from 0 to 1.0. A good score would be greater than 0.8

Marketing Effectiveness = (Average Brand Judgment / 100 + Average Ad Judgment / 100) / 2

= (79 / 100 + 86 / 100) / 2
= 0.82

Average Brand Judgment
= (Highest Brand Judgment in Primary Segment + Highest Brand Judgment in Secondary Segment) / 2 = (77 + 80) / 2 = 79
Highest Brand Judgment in Primary Segment: 77

Highest Brand Judgment in Secondary Segment: 80
Average Ad Judgment
= (Highest Ad Judgment in Primary Segment + Highest Ad Judgment in Secondary Segment) / 2 = (87 + 85) / 2 = 86
Highest Ad Judgment in Primary Segment: 87
Highest Ad Judgment in Secondary Segment: 85

Investment in Future reflects the willingness of the executive team to spend current revenues on future business opportunities. They are necessary but risky. In the short-term, these expenditures can cause large negative profits on the income statement. As a result, the retained earnings may become highly negative, thus indicating that a substantial portion of the stockholder's investment has disappeared into the operations of the firm. In the long-term, these investments are absolutely necessary if the firm is to be competitive. Thus, there is a need to balance the loss of stockholder's equity against investments which could create even greater returns for the investors in the future. The score is always greater or equal to 1.0 and a good score would be greater than 3.0.
Investment in Future = (Cumulative Expenses that Benefit Firm's Future / Cumulative Net Revenues) * 10 + 1

= (8,016,253 / 61,592,300) * 10 + 1
= 2.30

Cumulative Expenses that Benefit Firm's Future
= Cumulative Cost to Open New Sales Offices and Web Centers + Cumulative R&D Investment in New Brand Features and New brands + Cumulative R&D Licenses + Cumulative Depreciation = 1,540,000 + 6,038,753 + 0 + 437,500 = 8,016,253
Cumulative Cost to Open New Sales Offices and Web Centers: 1,540,000
Cumulative R&D Investment in New Brand Features and New brands: 6,038,753
Cumulative R&D Licenses: 0
Cumulative Depreciation: 437,500
Cumulative Net Revenues
= Cumulative Sales Revenue - Cumulative Rebates = 62,300,350 - 708,050 = 61,592,300
Cumulative Sales Revenue: 62,300,350
Cumulative Rebates: 708,050

Wealth is a measure of how well the executive team has been able to add wealth to the initial investments of the stockholders. During the start-up phase of the company, it is expected that the initial stockholders' investments will be used to create new brands and conduct R&D on new brand features. Expenses can exceed revenues leading to losses and retained earnings figures that are negative.

To compute the creation of wealth measure, the net equity of the firm is first computed by adding the retained earnings to the total of the investments from all of the stockholders. The retained earnings figure is the sum of all profits from the inception of the firm. As noted above, the retained earnings will be negative in the early quarters as the firm invests money to start up and grow the business.

Next, the net equity is divided by the total of all equity investments to obtain a ratio of wealth creation. A value of zero or less indicates bankruptcy. A value greater than zero and less than one indicates the executive team is relying upon the initial stockholder's investments to pay day-to-day expenses plus invest in the future. A value greater than one indicates the firm is adding wealth to the stockholders.
Wealth = Net Equity / Total Stockholders Equity

= 17,205,833 / 8,000,000
= 2.15

Net Equity
= Retained Earnings + Common Stock = 9,205,833 + 8,000,000 = 17,205,833
Retained Earnings: 9,205,833
Common Stock: 8,000,000
Total Stockholders Equity
= Common Stock = 8,000,000 = 8,000,000
Common Stock: 8,000,000

Human Resource Management is a measure of how well the executive team is able to recruit the best employees, satisfy their needs, and motivate them to excel. Sales force productivity and factory worker productivity are averaged together to obtain a single score. High performance is only possible if the firm's compensation packages are competitive and in tune with what is important to employees over time. The scores range from zero to 1.00 and a good score would be greater than 0.80.
Human Resource Management = (Sales Force Productivity / 100 + Factory Worker Productivity / 100) / 2

= (83 / 100 + 95 / 100) / 2
= 0.89

Sales Force Productivity: 83
Factory Worker Productivity: 95

Asset Management is a measure of the executive team's ability to use the firm's assets to create sales revenue. Asset management is measured by computing the asset turnover of the firm. Effective managers are able to use the assets to create sales which are two or three times the value of the assets. Thus, a very good score would be 3.0

Asset Management = Asset Turnover * Penalty for Excess Inventory

= 1.20 * 0.99
= 1.18

Asset Turnover
= Net Revenues / Total Assets = 20,620,000 / 17,205,833 = 1.20
Net Revenues
= Sales Revenue - Rebates + Interest Income = 20,620,000 - 0 + 0 = 20,620,000
Sales Revenue: 20,620,000
Rebates: 0
Interest Income: 0
Total Assets: 17,205,833
Penalty for Excess Inventory
= 1 - Ending Inventory / Production = 1 - 90 / 6,235 = 0.99
Ending Inventory: 90
Production: 6,235

Manufacturing Productivity measures of productivity focuses on how much of the operating capacity is actually used in production versus that portion lost to excess capacity. Excess capacity costs occur when the factory is scheduled to produce more inventory than is needed to meet demand or stock the warehouse. Good forecasting and production scheduling will reduce penalties for excess capacity.

The score ranges from 0.0 to 1.0. A very good score would be 0.80.
Manufacturing Productivity = (Percent of Operating Capacity Used in Production / 100)

= (58 / 100)
= 0.58

Percent of Operating Capacity Used in Production: 58

Financial Risk measures the executive team's ability to manage debt as a financial resource. The financial risk indicator is based upon the degree to which debt is part of the capital of the firm. As debt increases relative to the total capital, then the financial risk associated with the company increases. Conversely, as the proportion of equity in the total capital increases, then the perceived financial risk in the firm decreases.

To compute financial risk, the proportion of equity is obtained by computing the amount of equity in the firm and dividing it by the amount of capital invested in the firm from all sources. Specifically, the amount of equity is equal to the sum of common stock plus retained earnings. The amount of capital is equal to the sum of debt plus common stock plus retained earnings. As the ratio of equity to capital decreases (meaning more debt), then financial risk increases.

A value of 1.00 would indicate there is no debt and, therefore, no perceived financial risk.

It is important to realize that financial managers do not want to totally discourage debt. The optimum capital structure will vary by firm depending on its tax situation, overall risk, asset base, and financial slack. Some debt may be desirable in order to help the firm take advantage of value enhancing business opportunities (i.e., opportunities that earn more than the company's weighted average cost of capital).

In order to mitigate or downplay the effect of low amounts of debt in the capital structure, the value for the share of equity in the company is raised to a power of 0.5 (square root). Thus, if debt represented 20% of the capital structure, then the Financial risk indicator would be 0.89 (0.80 ^ 0.5). If debt were 50% of the capital structure, the Financial Risk indicator would be 0.71.

A Financial Risk indicator below 0.80 (more than 36% debt) would be considered unfavorable.
Financial Risk = (Total Equity / Total Capital) ^ 0.5

= (17,205,833 / 17,205,833) ^ 0.5
= 1.00

Total Equity
= Common Stock + Retained Earnings = 8,000,000 + 9,205,833 = 17,205,833
Common Stock: 8,000,000
Retained Earnings: 9,205,833
Total Capital
= Common Stock + Retained Earnings + Debt = 8,000,000 + 9,205,833 + 0 = 17,205,833
Common Stock: 8,000,000
Retained Earnings: 9,205,833
Debt: 0

Industry results for quarter: 5

	Minimum	Maximum	Average	Trustearn Computers
Total Performance	0.312	265.387	63.402	265.387
Financial Performance	6.126	126.826	49.717	126.826
Market Performance	0.135	0.450	0.242	0.450
Marketing Effectiveness	0.793	0.823	0.805	0.808
Investment in Future	2.901	7.558	5.908	2.901
Wealth	0.248	1.753	0.710	1.753
Human Resource Management	0.731	0.877	0.807	0.877
Asset Management	0.830	2.722	1.487	1.509
Manufacturing Productivity	0.510	0.931	0.775	0.856
Financial Risk	0.725	1.000	0.891	1.000

Total Performance

The Total Business Performance indicator is a quantitative measure of the executive team's ability to effectively manage the resources of the firm. It considers both the historical performance of the firm as well as how well the firm is positioned to compete in the future. As such, it measures the action potential of the firm.

The index employs what is called a balanced scorecard to measure the executive team's performance. The most important measure is the team's financial performance, and thus its ability to create wealth for the investors. However, the focus on current profits has caused many executives to stress the present at the expense of the future.

The long-term viability of the firm requires that the executive team be good at managing not only the firm's profitability, but also its marketing activities, production operations, human resources, cash, and financial resources. The management team must also invest in the future. These expenses might depress the current financial performance, but are vital to creating new products, markets, and manufacturing capabilities.

In short, top managers must be good at managing all aspects of the firm. The balanced scorecard puts this perspective into practice. It focuses attention on multiple performance measures, and thus multiple decision areas. None can be ignored or downplayed. The best managers will be strong in all areas measured.

The Total Business Performance measure is computed by multiplying several indicators of business performance. This model underscores the importance of all measures. This is because any strength or weakness will have multiple effects on the final outcome, the Action Potential of the Firm.

The following is a summary of the measure of the firm's Total Business Performance and its key performance indicators. The computational details follow. Note that a negative score in any of these indicators will result in a Total Performance of "0".

Primary segment: Workhorse
Secondary segment: Traveler
Total Performance = Financial Performance * Market Performance * Marketing Effectiveness * Investment in Future * Wealth * Human Resource Management * Asset Management * Manufacturing Productivity * Financial Risk

= 126.826 * 0.450 * 0.808 * 2.901 * 1.753 * 0.877 * 1.509 * 0.856 * 1.000
= 265.387

Financial Performance: 126.826
Market Performance: 0.450
Marketing Effectiveness: 0.808
Investment in Future: 2.901
Wealth: 1.753
Human Resource Management: 0.877
Asset Management: 1.509
Manufacturing Productivity: 0.856
Financial Risk: 1.000

Financial Performance measures how well the executive team has been able to create profits for its shareholders. A positive number is always desired and the larger the better. It is computed in three steps. First, the net profit from operations is computed by taking the operating profit shown in the income statement and adding back investments in the future that are expensed in the current quarter. It measures how well the managers are able to create revenue from the current quarter's marketing, sales and manufacturing activities.

Note that the income statement includes expenditures for R&D. However, this money is spent to create future business opportunities. Thus, these expenses are added back to the operating profit so that the financial performance measure is entirely focused on current quarter revenues and expenses.

Second, the total number of shares of stock is computed by adding all forms of equity investment. If an emergency loan has been taken out, shares of stock will automatically be issued to the loan shark and they become a permanent part of the equity financing.

Third, the net profit from current operations is divided by the number of shares of stock issued to determine the net profit from current operations per share of stock.

Financial Performance = Net Profit from Current Operations / Total Shares Issued

= 10,194,247 / 80,380
= 126.83

Net Profit from Current Operations
= Operating Profit + Investments in Firm's Future = 6,483,164 + 3,711,083 = 10,194,247
Operating Profit
= Gross Profit - Total Expenses = 12,951,208 - 6,468,044 = 6,483,164
Gross Profit: 12,951,208
Total Expenses: 6,468,044
Investments in Firm's Future
= Cost to Open New Sales Offices and Web Centers + R&D Investment in New Brand Features and New brands = 0 + 3,711,083 = 3,711,083
Cost to Open New Sales Offices and Web Centers: 0
R&D Investment in New Brand Features and New brands: 3,711,083
Total Shares Issued
= Number of Shares Issued to Executive Team + Number of Shares Issued to Venture Capitalists + Number of Shares Issued to Loan Shark = 40,000 + 40,000 + 380 = 80,380
Number of Shares Issued to Executive Team: 40,000
Number of Shares Issued to Venture Capitalists: 40,000
Number of Shares Issued to Loan Shark: 380

Market Performance is a measure of how well the managers are able to create demand in their primary and secondary segments. The firm's market share in two target segments is used to measure this demand creation ability. The market share score is adjusted downwards if there were any stock-outs. This penalty for stock-outs is to underscore two points. First, unnecessary resources have been spent to generate more demand than can be satisfied. Second, ill will has been created by having potential customers become frustrated when they do not find the products that they have been persuaded to buy. The score ranges from 0 to 1.0 and will depend upon the number of competitors. If there are 3 firms, a good score would be greater than 0.5. If there are 8 teams, a good score would be greater than 0.35.

Market Performance = Average Market Share in Targeted Segments / 100 * Percent of Demand Actually Served / 100

= 45 / 100 * 100 / 100
= 0.45

Average Market Share in Targeted Segments
= (Market Share in Primary Segment + Market Share in Secondary Segment) / 2 = (47 + 43) / 2 = 45
Market Share in Primary Segment: 47
Market Share in Secondary Segment: 43
Percent of Demand Actually Served
= ((Total Net Demand - Number of Stock-outs) / Total Net Demand) * 100 = ((6,380 - 0) / 6,380) * 100 = 100
Total Net Demand: 6,380
Number of Stock-outs: 0

Marketing Effectiveness is a measure of how well the managers have been able to satisfy the needs of the customers as measured by the quality of their brands and ads. Customer perceptions of the firm's brands and ads in its primary and secondary segments are used to measure customer satisfaction. The two scores are then averaged to obtain the indicator for marketing effectiveness. The score ranges from 0 to 1.0. A good score would be greater than 0.8

Marketing Effectiveness = (Average Brand Judgment / 100 + Average Ad Judgment / 100) / 2

= (80 / 100 + 82 / 100) / 2
= 0.81

Average Brand Judgment
= (Highest Brand Judgment in Primary Segment + Highest Brand Judgment in Secondary Segment) / 2 = (80 + 79) / 2 = 80
Highest Brand Judgment in Primary Segment: 80
Highest Brand Judgment in Secondary Segment: 79
Average Ad Judgment
= (Highest Ad Judgment in Primary Segment + Highest Ad Judgment in Secondary Segment) / 2 = (85 + 79) / 2 = 82
Highest Ad Judgment in Primary Segment: 85
Highest Ad Judgment in Secondary Segment: 79

Investment in Future reflects the willingness of the executive team to spend current revenues on future business opportunities. They are necessary but risky. In the short-term, these expenditures can cause large negative profits on the income statement. As a result, the retained earnings may become highly negative, thus indicating that a substantial portion of the stockholder's investment has disappeared into the operations of the firm. In the long-term, these investments are absolutely necessary if the firm is to be competitive. Thus, there is a need to balance the loss of stockholder's equity against investments which could create even greater returns for the investors in the future. The score is always greater or equal to 1.0 and a good score would be greater than 3.0.

Investment in Future = (Cumulative Expenses that Benefit Firm's Future / Cumulative Net Revenues) * 10 + 1

= (7,789,586 / 40,972,300) * 10 + 1
= 2.90

Cumulative Expenses that Benefit Firm's Future
= Cumulative Cost to Open New Sales Offices and Web Centers + Cumulative R&D Investment in New Brand Features and New brands + Cumulative R&D Licenses + Cumulative Depreciation = 1,540,000 + 5,978,753 + 0 + 270,833 = 7,789,586
Cumulative Cost to Open New Sales Offices and Web Centers: 1,540,000
Cumulative R&D Investment in New Brand Features and New brands: 5,978,753
Cumulative R&D Licenses: 0
Cumulative Depreciation: 270,833
Cumulative Net Revenues
= Cumulative Sales Revenue - Cumulative Rebates = 41,680,350 - 708,050 = 40,972,300
Cumulative Sales Revenue: 41,680,350
Cumulative Rebates: 708,050

Wealth is a measure of how well the executive team has been able to add wealth to the initial investments of the stockholders. During the start-up phase of the company, it is expected that the initial stockholders' investments will be used to create new brands and conduct R&D on new brand features. Expenses can exceed revenues leading to losses and retained earnings figures that are negative.

To compute the creation of wealth measure, the net equity of the firm is first computed by adding the retained earnings to the total of the investments from all of the stockholders. The retained earnings figure is the sum of all profits from the inception of the firm. As noted above, the retained earnings will be negative in the early quarters as the firm invests money to start up and grow the business.

Next, the net equity is divided by the total of all equity investments to obtain a ratio of wealth creation. A value of zero or less indicates bankruptcy. A value greater than zero and less than one indicates the executive team is relying upon the initial stockholder's investments to pay day-to-day expenses plus invest in the future. A value greater than one indicates the firm is adding wealth to the stockholders.
Wealth = Net Equity / Total Stockholders Equity

= 14,024,082 / 8,000,000
= 1.75

Net Equity
= Retained Earnings + Common Stock = 6,024,082 + 8,000,000 = 14,024,082
Retained Earnings: 6,024,082
Common Stock: 8,000,000
Total Stockholders Equity
= Common Stock = 8,000,000 = 8,000,000
Common Stock: 8,000,000

Human Resource Management is a measure of how well the executive team is able to recruit the best employees, satisfy their needs, and motivate them to excel. Sales force productivity and factory worker productivity are averaged together to obtain a single score. High performance is only possible if the firm's compensation packages are competitive and in tune with what is important to employees over time. The scores range from zero to 1.00 and a good score would be greater than 0.80.
Human Resource Management = (Sales Force Productivity / 100 + Factory Worker Productivity / 100) / 2

= (82 / 100 + 93 / 100) / 2
= 0.88

Sales Force Productivity: 82
Factory Worker Productivity: 93

Asset Management is a measure of the executive team's ability to use the firm's assets to create sales revenue. Asset management is measured by computing the asset turnover of the firm. Effective managers are able to use the assets to create sales which are two or three times the value of the assets. Thus, a very good score would be 3.0
Asset Management = Asset Turnover * Penalty for Excess Inventory

= 1.53 * 0.99
= 1.51

Asset Turnover
= Net Revenues / Total Assets = 21,409,300 / 14,024,082 = 1.53
Net Revenues
= Sales Revenue - Rebates + Interest Income = 21,409,300 - 0 + 0 = 21,409,300
Sales Revenue: 21,409,300
Rebates: 0
Interest Income: 0
Total Assets: 14,024,082

Penalty for Excess Inventory
= 1 - Ending Inventory / Production = 1 - 75 / 6,455 = 0.99
Ending Inventory: 75
Production: 6,455

Manufacturing Productivity measures of productivity focuses on how much of the operating capacity is actually used in production versus that portion lost to excess capacity. Excess capacity costs occur when the factory is scheduled to produce more inventory than is needed to meet demand or stock the warehouse. Good forecasting and production scheduling will reduce penalties for excess capacity.

The score ranges from 0.0 to 1.0. A very good score would be 0.80.
Manufacturing Productivity = (Percent of Operating Capacity Used in Production / 100)

= (86 / 100)
= 0.86

Percent of Operating Capacity Used in Production: 86

Financial Risk measures the executive team's ability to manage debt as a financial resource. The financial risk indicator is based upon the degree to which debt is part of the capital of the firm. As debt increases relative to the total capital, then the financial risk associated with the company increases. Conversely, as the proportion of equity in the total capital increases, then the perceived financial risk in the firm decreases.

To compute financial risk, the proportion of equity is obtained by computing the amount of equity in the firm and dividing it by the amount of capital invested in the firm from all sources. Specifically, the amount of equity is equal to the sum of common stock plus retained earnings. The amount of capital is equal to the sum of debt plus common stock plus retained earnings. As the ratio of equity to capital decreases (meaning more debt), then financial risk increases.

A value of 1.00 would indicate there is no debt and, therefore, no perceived financial risk.

It is important to realize that financial managers do not want to totally discourage debt. The optimum capital structure will vary by firm depending on its tax situation, overall risk, asset base, and financial slack. Some debt may be desirable in order to help the firm take advantage of value enhancing business opportunities (i.e., opportunities that earn more than the company's weighted average cost of capital).

In order to mitigate or downplay the effect of low amounts of debt in the capital structure, the value for the share of equity in the company is raised to a power of 0.5 (square root). Thus, if debt represented 20% of the capital structure, then the Financial risk indicator would be 0.89 (0.80 ^ 0.5). If debt were 50% of the capital structure, the Financial Risk indicator would be 0.71.

A Financial Risk indicator below 0.80 (more than 36% debt) would be considered unfavorable.
Financial Risk = (Total Equity / Total Capital) ^ 0.5

= (14,024,082 / 14,024,082) ^ 0.5
= 1.00

Total Equity
= Common Stock + Retained Earnings = 8,000,000 + 6,024,082 = 14,024,082
Common Stock: 8,000,000
Retained Earnings: 6,024,082
Total Capital
= Common Stock + Retained Earnings + Debt = 8,000,000 + 6,024,082 + 0 = 14,024,082
Common Stock: 8,000,000
Retained Earnings: 6,024,082
Debt: 0

Cumulative industry results for quarter: 6

	Minimum	Maximum	Average	Trustearn Computers
Cumulative Total Performance	0.130	109.414	33.073	109.414
Cumulative Financial Performance	2.977	77.044	35.064	77.044
Cumulative Market Performance	0.149	0.410	0.242	0.410
Cumulative Marketing Effectiveness	0.761	0.796	0.778	0.769
Cumulative Investment in Future	2.302	5.720	4.564	2.302
Cumulative Wealth	0.319	2.151	0.934	2.151
Cumulative Human Resource Management	0.718	0.843	0.779	0.843

Cumulative industry results for quarter: 6

	Minimum	Maximum	Average	Trustearn Computers
Cumulative Asset Management	0.713	2.141	1.330	1.385
Cumulative Manufacturing Productivity	0.454	0.913	0.743	0.779
Cumulative Financial Risk	0.777	1.000	0.925	1.000

Total Performance

The Total Business Performance indicator is a quantitative measure of the executive team's ability to effectively manage the resources of the firm. It considers both the historical performance of the firm as well as how well the firm is positioned to compete in the future. As such, it measures the action potential of the firm.

The index employs what is called a balanced scorecard to measure the executive team's performance. The most important measure is the team's financial performance, and thus its ability to create wealth for the investors. However, the focus on current profits has caused many executives to stress the present at the expense of the future.

The long-term viability of the firm requires that the executive team be good at managing not only the firm's profitability, but also its marketing activities, production operations, human resources, cash, and financial resources. The management team must also invest in the future. These expenses might depress the current financial performance, but are vital to creating new products, markets, and manufacturing capabilities.

In short, top managers must be good at managing all aspects of the firm. The balanced scorecard puts this perspective into practice. It focuses attention on multiple performance measures, and thus multiple decision areas. None can be ignored or downplayed. The best managers will be strong in all areas measured.

The Total Business Performance measure is computed by multiplying several indicators of business performance. This model underscores the importance of all measures. This is because any strength or weakness will have multiple effects on the final outcome, the Action Potential of the Firm.

The following is a summary of the measure of the firm's Total Business Performance and its key performance indicators. The computational details follow. Note that a negative score in any of these indicators will result in a Total Performance of "0".

Primary segment: Mercedes
Secondary segment: Workhorse
Total Performance = Financial Performance * Market Performance * Marketing Effectiveness * Investment in Future * Wealth * Human Resource Management * Asset Management * Manufacturing Productivity * Financial Risk

Cumulative Total Performance = Cumulative Financial Performance * Cumulative Market Performance * Cumulative Marketing Effectiveness * Cumulative Investment in Future * Cumulative Wealth * Cumulative Human Resource Management * Cumulative Asset Management * Cumulative Manufacturing Productivity * Cumulative Financial Risk

= 77.044 * 0.410 * 0.769 * 2.302 * 2.151 * 0.843 * 1.385 * 0.779 * 1.000
= 109.414

Cumulative Financial Performance: 77.044
Cumulative Market Performance: 0.410
Cumulative Marketing Effectiveness: 0.769
Cumulative Investment in Future: 2.302
Cumulative Wealth: 2.151
Cumulative Human Resource Management: 0.843
Cumulative Asset Management: 1.385
Cumulative Manufacturing Productivity: 0.779
Cumulative Financial Risk: 1.000

Financial Performance measures how well the executive team has been able to create profits for its shareholders. A positive number is always desired and the larger the better. It is computed in three steps. First, the net profit from operations is computed by taking the operating profit shown in the income statement and adding back investments in the future that are expensed in the current quarter. It measures how well the managers are able to create revenue from the current quarter's marketing, sales and manufacturing activities.

Note that the income statement includes expenditures for R&D. However, this money is spent to create future business opportunities. Thus, these expenses are added back to the operating profit so that the financial performance measure is entirely focused on current quarter revenues and expenses.

Second, the total number of shares of stock is computed by adding all forms of equity investment. If an emergency loan has been taken out, shares of stock will automatically be issued to the loan shark and they become a permanent part of the equity financing.

Third, the net profit from current operations is divided by the number of shares of stock issued to determine the net profit from current operations per share of stock.

Financial Performance = Net Profit from Current Operations / Total Shares Issued

= 5,362,918 / 80,380
= 66.72

Net Profit from Current Operations
= Operating Profit + Investments in Firm's Future = 5,302,918 + 60,000 = 5,362,918
Operating Profit
= Gross Profit - Total Expenses = 12,215,177 - 6,912,259 = 5,302,918
Gross Profit: 12,215,177
Total Expenses: 6,912,259
Investments in Firm's Future
= Cost to Open New Sales Offices and Web Centers + R&D Investment in New Brand Features and New brands = 0 + 60,000 = 60,000
Cost to Open New Sales Offices and Web Centers: 0
R&D Investment in New Brand Features and New brands: 60,000
Total Shares Issued
= Number of Shares Issued to Executive Team + Number of Shares Issued to Venture Capitalists + Number of Shares Issued to Loan Shark = 40,000 + 40,000 + 380 = 80,380
Number of Shares Issued to Executive Team: 40,000
Number of Shares Issued to Venture Capitalists: 40,000
Number of Shares Issued to Loan Shark: 380

Cumulative Financial Performance

Cumulative Financial Performance = (Financial Performance Q3 + Financial Performance Q4 + Financial Performance Q5 + Financial Performance Q6) / 4

= (31.10 + 83.53 + 126.83 + 66.72) / 4
= 77.04

Financial Performance Q3: 31.10
Financial Performance Q4: 83.53
Financial Performance Q5: 126.83
Financial Performance Q6: 66.72

Market Performance is a measure of how well the managers are able to create demand in their primary and secondary segments. The firm's market share in two target segments is used to measure this demand creation ability. The market share score is adjusted downwards if there were any stock-outs. This penalty for stock-outs is to underscore two points. First, unnecessary resources have been spent to generate more demand than can be satisfied. Second, ill will has been created by having potential customers become frustrated when they do not find the products that they have been persuaded to buy. The score ranges from 0 to 1.0 and will depend upon the number of competitors. If there are 3 firms, a good score would be greater than 0.5. If there are 8 teams, a good score would be greater than 0.35.

Market Performance = Average Market Share in Targeted Segments / 100 * Percent of Demand Actually Served / 100

= 34 / 100 * 100 / 100
= 0.34

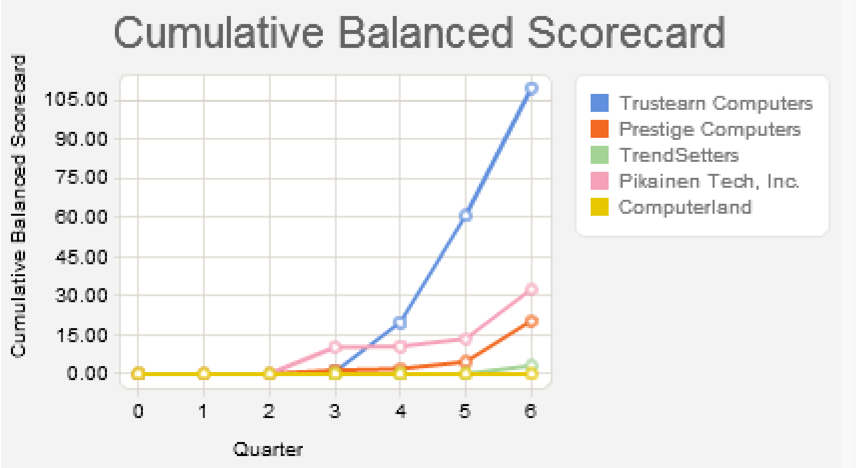
Average Market Share in Targeted Segments
= (Market Share in Primary Segment + Market Share in Secondary Segment) / 2 = (29 + 38) / 2 = 34
Market Share in Primary Segment: 29
Market Share in Secondary Segment: 38
Percent of Demand Actually Served
= ((Total Net Demand - Number of Stock-outs) / Total Net Demand) * 100 = ((6,220 - 0) / 6,220) * 100 = 100
Total Net Demand: 6,220
Number of Stock-outs: 0

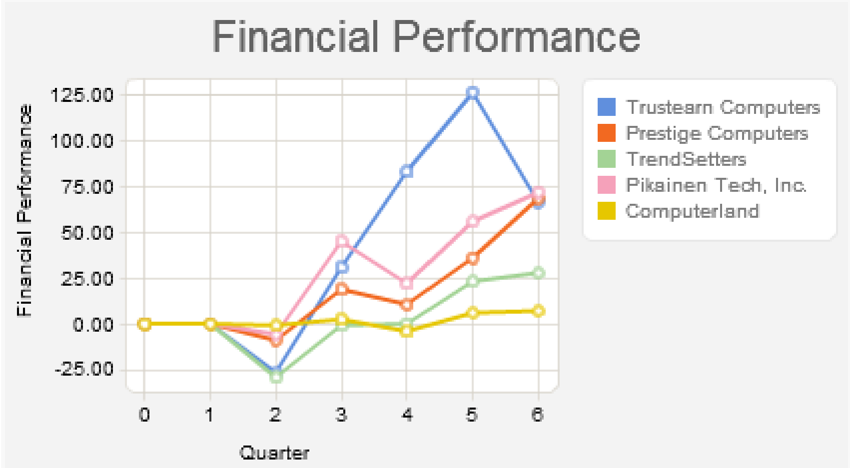
Cumulative Market Performance

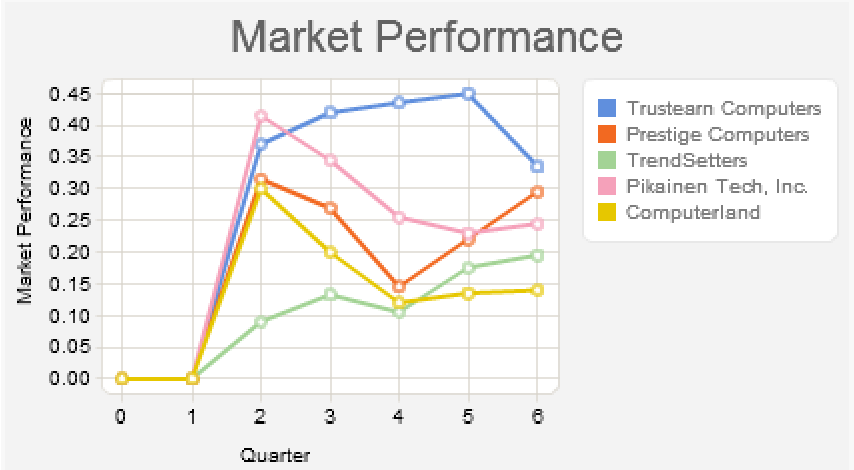
Cumulative Market Performance = (Market Performance Q3 + Market Performance Q4 + Market Performance Q5 + Market Performance Q6) / 4

= (0.42 + 0.44 + 0.45 + 0.34) / 4
= 0.41

Market Performance Q3: 0.42
Market Performance Q4: 0.44
Market Performance Q5: 0.45
Market Performance Q6: 0.34







Highlight the key features from the business plan which was presented to the venture capitalists (lecturer) (note, this must be updated with feedback highlighted and incorporated)

1. Marketing strategy

I try to keep higher brand judgment with low price and good quality. (relevant theories reference please)

Our brand judgement is TE 80, TE II 80 in the workhorse (The highest is 81)

Golden TE 77, Golden TE II 76 in Mercedes (The highest is 92)

Golden 77, Golden II 79 in Traveler (The highest is 81)

Also, I try to keep 100 price judgment

TE 100, TE II 96 in the workhorse

Golden TE 98, Golden TE II 95 in the Mercedes

Golden 100, Golden II 95 in the Traveler

Brand Profitability

	TE	Golden	TE II	Golden II.	GoldenTE.
Sales Revenue	4,115,800	2,473,800	3,508,400	2,957,500	8,353,800
- Rebates	0	0	0	0	0
- Cost of Goods Sold	2,015,501	885,948	1,624,140	1,029,993	2,902,509
= Gross Margin	**2,100,299**	**1,587,852**	**1,884,260**	**1,927,507**	**5,451,291**
Brand Design	60,000	60,000	60,000	60,000	60,000
+ Ad Design	30,000	30,000	30,000	30,000	30,000

Brand Profitability					
	TE	**Golden**	**TE II**	**Golden II.**	**GoldenTE.**
+ Brand Advertising	20,159	30,790	20,159	30,790	28,368
= Brand Expenses	**110,159**	**120,790**	**110,159**	**120,790**	**118,368**
Brand Profit	**1,990,140**	**1,467,062**	**1,774,101**	**1,806,717**	**5,332,923**
Profit per Unit	**1,257**	**1,838**	**1,416**	**1,985**	**2,905**
% from Sales Revenue	48	59	51	61	64

Tactical Plan						
	Quarter 1	**Quarter 2**	**Quarter 3**	**Quarter 4**	**Quarter 5**	**Quarter 6**
Segments Targeted	Workhorse Traveler	Workhorse Traveler	Workhorse Traveler	Workhorse Mercedes	Workhorse Mercedes Traveler	Workhorse Mercedes
Number of New Brands	2	2	0	3	5	1
Names of New Brands	TE Golden	TE computer Golden computer	None	TE computer II Golden II GoldenTE	TE Golden TE II Golden II. GoldenTE.	Golden TE II
Brands for Sale & Price	None	TE computer (3500) Golden computer (4000)	TE computer (2500) Golden computer (3000)	TE computer (2550) Golden computer (3050) TE computer II (2700) Golden II (3200) GoldenTE (4500)	TE (2600) Golden (3100) TE II (2800) Golden II. (3250) GoldenTE. (4550)	TE (2550) Golden (3000) TE II (2700) Golden II. (3150) GoldenTE. (4350) Golden TE II (4450)
Average Selling Price	0	3,673	2,675	3,233	3,356	3,315
Brand Feature R&D Projects	None	None	None	Office upgrade	32" wide screen (desktop) Long-life (laptop)	None
Brand Feature R&D Expense	0	0	0	1,847,670	3,411,083	0
Advertising Budget	0	76,500	82,995	280,266	280,266	559,998
Web Marketing Budget	0	0	0	0	0	0
Sales Offices Opened	Shanghai-APAC	Chicago-NORAM	Paris-EMEA	Sao Paulo-LATAM	None	None
Sales Office Expense	260,000	380,000	600,000	590,000	490,000	490,000
Web Centers Opened	Chicago-NORAM	None	None	None	None	None
Web Center Expense	200,000	200,000	0	0	0	0
Number of Office Sales People	0	6	14	36	58	140
Unit Demand per Office Sales Person	0	70	122	144	110	44
Number of Web Sales People	0	0	0	0	0	0
Unit Demand per Web Sales Person	0	0	0	0	0	0
Projected Demand	0	419	1,703	5,185	6,380	6,220
Revenue from Unwanted	0	0	0	0	0	0

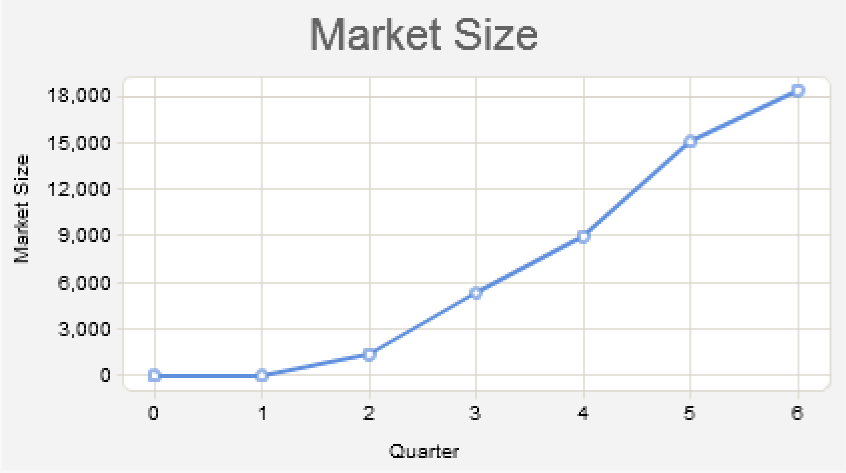
Tactical Plan						
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
Inventory						
Projected Revenue	0	1,539,000	4,556,000	14,176,050	21,409,300	20,619,999
Cost of Goods Sold	0	589,441	2,169,105	5,817,536	8,458,092	8,404,823
Factory Worker Compensation	0	22,600	25,185	30,730	32,385	33,927
Average Sales Person Compensation	0	38,921	42,417	50,218	52,433	53,976
Sales Force Salaries	0	58,382	148,460	451,962	760,283	1,889,144
Cost to Hire and Lay Off Sales People	0	47,100	65,570	209,864	209,864	952,878
Total Sales Force Expense	0	105,482	214,030	661,826	970,147	2,842,022
Addition to Fixed Capacity	25	25	25	50	50	0
Investment in Fixed Capacity	600,000	600,000	600,000	1,100,000	1,100,000	0
Available Fixed Capacity	0	1,625	3,250	4,875	8,125	11,375
Starting Inventory	0	0	50	30	0	75
Unwanted Inventory	0	0	0	0	0	0
Production Volume	0	469	1,683	4,355	6,455	6,235
Available Inventory	0	469	1,733	4,385	6,455	6,310
Ending Inventory	0	50	30	0	75	90
Lost Sales	0	0	0	800	0	0
Average Unit Production Cost	0.00	1,404.89	1,269.97	1,327.17	1,325.17	1,352.24
Total Production Cost	0	658,894	2,137,356	5,779,831	8,553,977	8,431,238
% Lost Capacity Due to Employee Morale	30	27	25	10	7	5
Operating Capacity to Satisfy Production Volume	0	641	2,238	4,859	6,943	6,562
Total R&D Cost	120,000	120,000	0	2,027,670	3,711,083	60,000
Conventional Bank Loans	0	0	0	0	0	0
Emergency Loan	0	38,049	0	0	0	0
Total Debt Level	0	38,049	0	0	0	0
Equity Investment	2,000,000	3,000,000	4,000,000	8,000,000	8,000,000	8,000,000
Total Assets	1,420,000	1,244,454	3,080,348	10,134,183	14,024,082	17,205,833

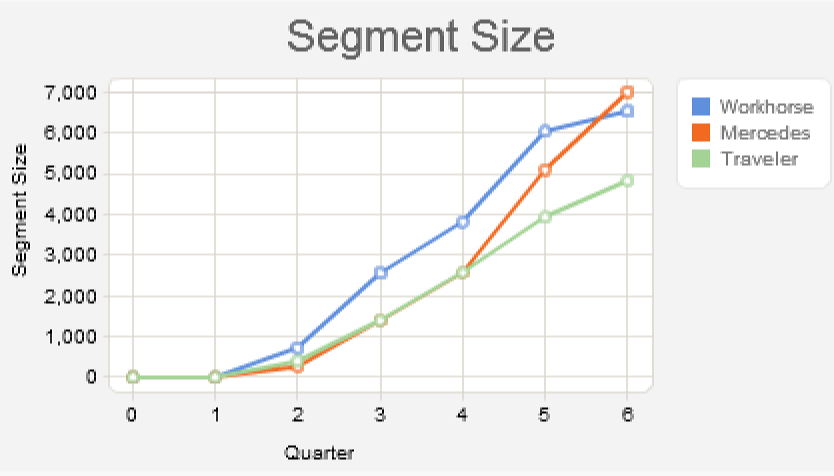
I spent a lot of money on advertising in order to inform our brand to customer (advertising effect reference please)

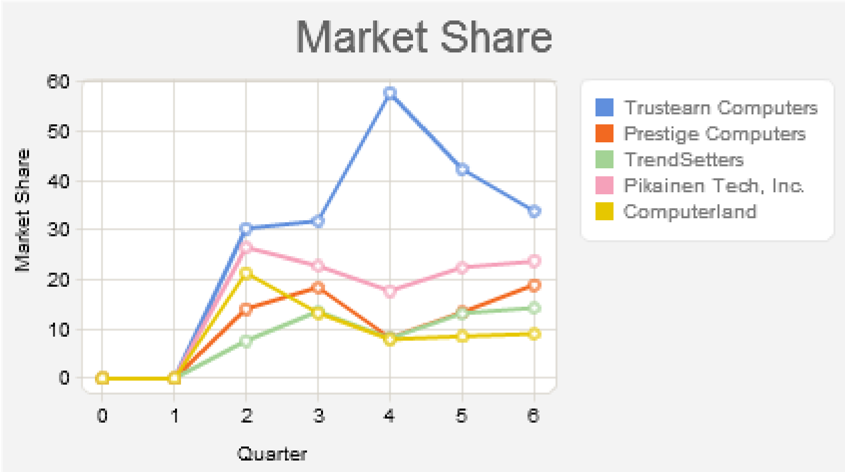
World Market							
Media	Cost	TE	Golden	GoldenTE	TE computer II	Golden II	Golden TE II
Business Newspapers	23,000	0	0	0	0	0	0
General Business Magazine	16,000	0	0	3	0	0	3
Computer Magazines	5,000	0	0	3	0	0	3

General News Magazines	8,000	0	0	2	0	0	2
Leading Trade Journals	7,500	3	3	0	3	3	0
New Venture Magazines	9,000	0	3	0	0	3	0
Sports Magazines	24,500	0	0	0	0	0	0
Executive Business Mags	29,000	2	0	0	2	0	0
Science & Technology	15,000	0	0	0	0	0	0
Daily Newspaper	9,000	0	0	0	0	0	0
Leisure & Entertainment	18,000	0	0	0	0	0	0
Advertising Expenses		**74,275**	**44,350**	**71,374**	**74,275**	**44,350**	**71,374**

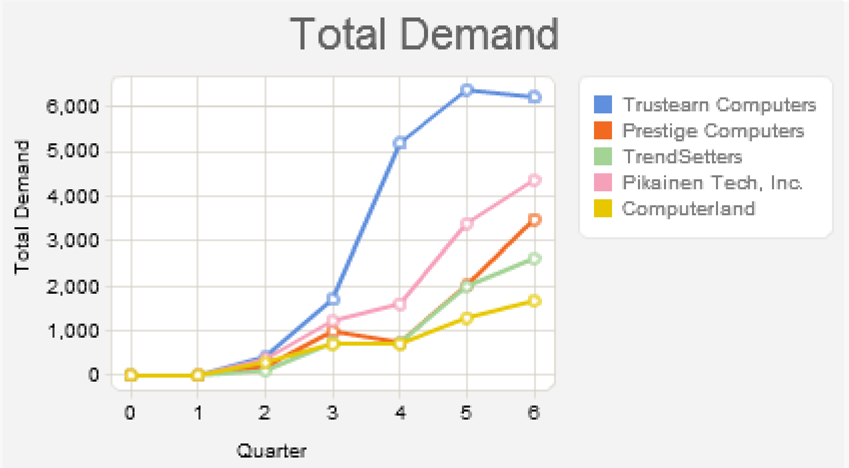
Total Advertising Expenses: 379,998



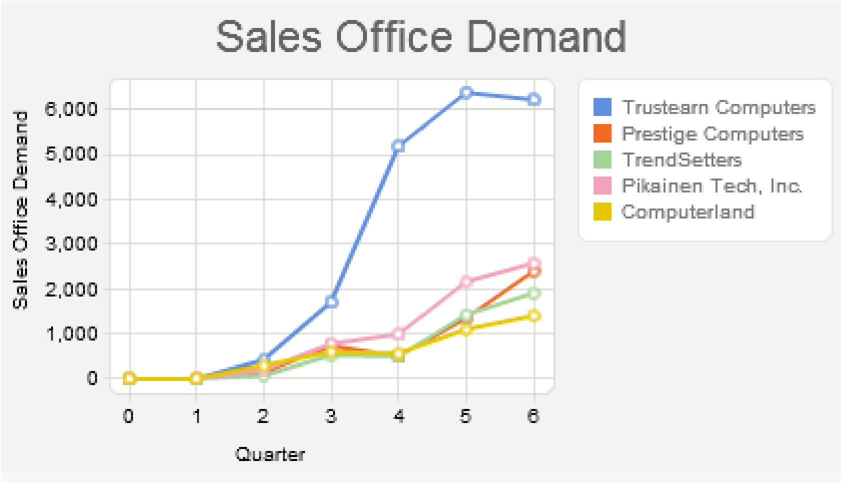




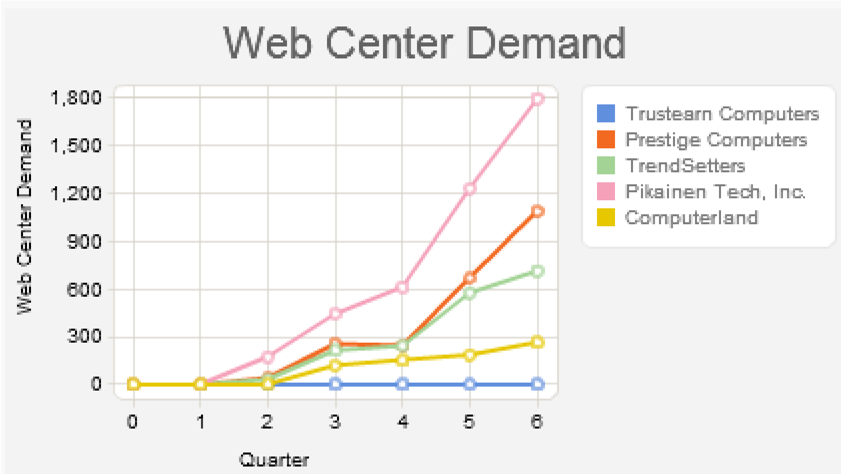
Market Share
Market Share
60
50
40
30
20
10
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland

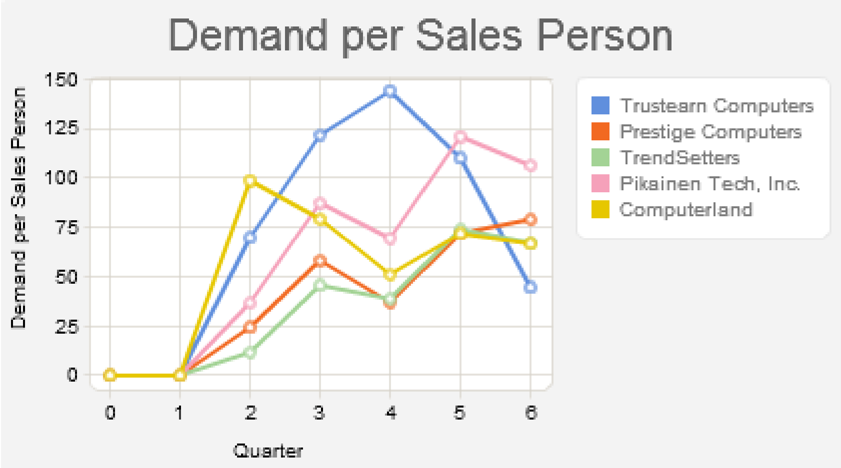


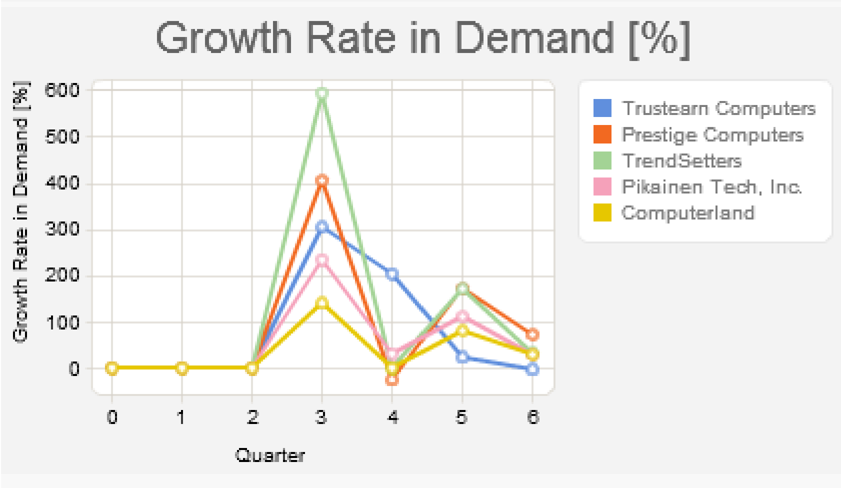
Total Demand
Total Demand
6,000
5,000
4,000
3,000
2,000
1,000
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland

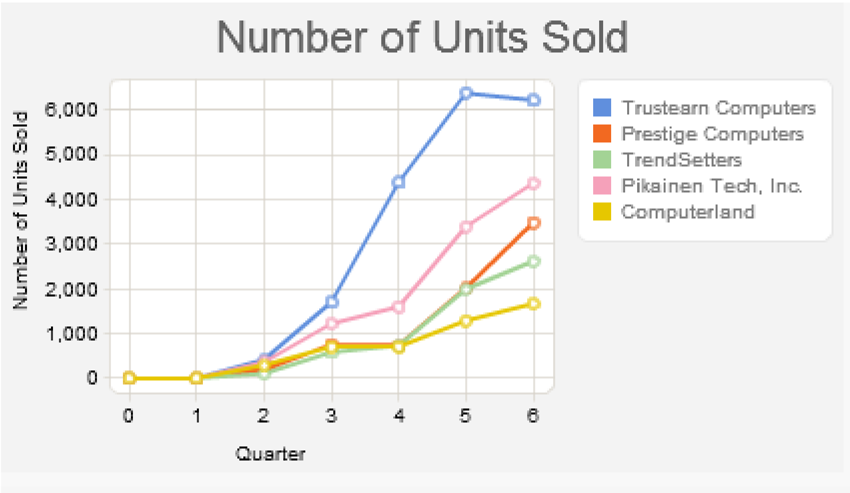


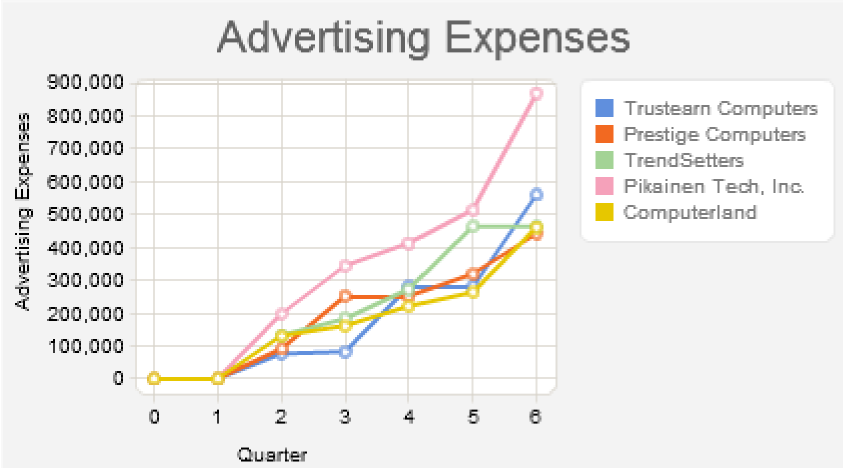
Sales Office Demand
Sales Office Demand
6,000
5,000
4,000
3,000
2,000
1,000
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland

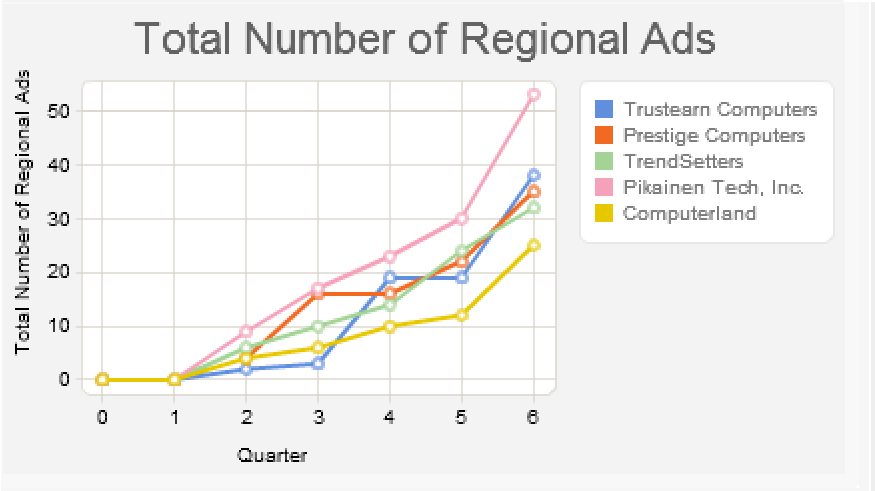

Web Center Demand
Web Center Demand
1,800
1,500
1,200
900
600
300
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland

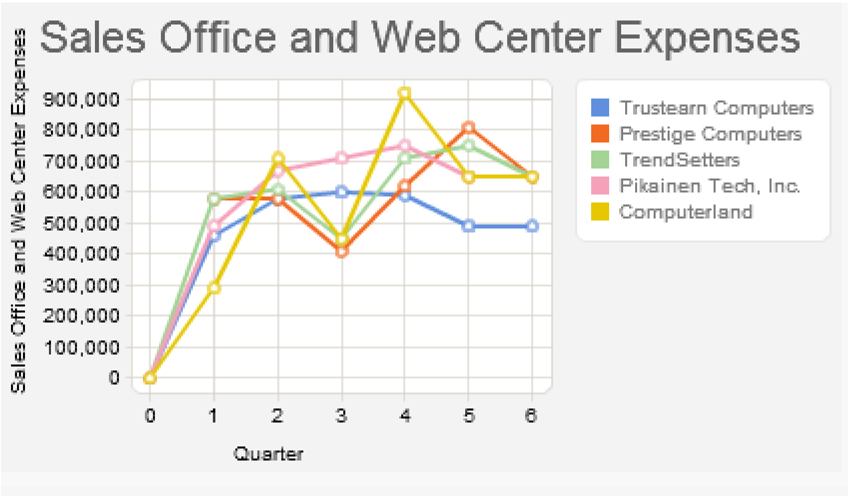

Demand per Sales Person
Demand per Sales Person
150
125
100
75
50
25
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland


Growth Rate in Demand [%]
Growth Rate in Demand [%]
600
500
400
300
200
100
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland


Number of Units Sold
Number of Units Sold
6,000
5,000
4,000
3,000
2,000
1,000
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland


Advertising Expenses
Advertising Expenses
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland


Total Number of Regional Ads
Total Number of Regional Ads
50
40
30
20
10
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland



Marketing Effectiveness is a measure of how well the managers have been able to satisfy the needs of the customers as measured by the quality of their brands and ads. Customer perceptions of the firm's brands and ads in its primary and secondary segments are used to measure customer satisfaction. The two scores are then averaged to obtain the indicator for marketing effectiveness. The score ranges from 0 to 1.0. A good score would be greater than 0.8

Marketing Effectiveness = (Average Brand Judgment / 100 + Average Ad Judgment / 100) / 2

Cumulative Marketing Effectiveness

Cumulative Marketing Effectiveness = (Marketing Effectiveness Q3 + Marketing Effectiveness Q4 + Marketing Effectiveness Q5 + Marketing Effectiveness Q6) / 4

= (0.70 + 0.75 + 0.81 + 0.82) / 4
= 0.77

Marketing Effectiveness Q3: 0.70
Marketing Effectiveness Q4: 0.75
Marketing Effectiveness Q5: 0.81
Marketing Effectiveness Q6: 0.82

2. Sales Channel strategy

I just focuse on office channel Chicago-noram, Sao Paulo – latam, paris- Emea, Shanghai –apac.

Because (here you must reference please, find relevant reasons why I did not open web center,

I do not have reasons I just want to save web center expenses)

I opened first Shanghai, second Chicago, third paris, last sao Paulo

This is because shanghai is not the largest market size but cheapest and releatively large market size. After that I opened based on consider market size

	workhorse	Mercedes	Traverer	setup/close cost	Quarterly cost
Shanghai-APAC	9056	4802	3914	260000	90000
Chicago-Noram	9374	8005	5762	290000	130000
Paris-EMEA	8348	6716	5504	380000	160000
Sao Paulo-LATAM	7427	3738	3269	210000	110000

Also, I try to hire a lot of sales people in order to increase units demanded per sales person.

However, it failed because units demanded per sales person decreased from 110 to 44.43, also I paid a lot of sales force compensation.

Last Quarter			
	Number of Sales People	**Units Demanded per Sales Person**	**Total Demand**
Sales Offices	58	110.00	6,380
Web Center	0	0.00	0
Total	**58**		**6,380**
This Quarter			
	Number of Sales People	**Units Demanded per Sales Person**	**Total Demand**
Sales Offices	140	50	7,000
Web Center	0	0	0
Total	**140**		**7,000**

Last Quarter			
	Number of Sales People	**Units Demanded per Sales Person**	**Total Demand**
Sales Offices	140	44.43	6,220
Web Center	0	0.00	0
Total	**140**		**6,220**

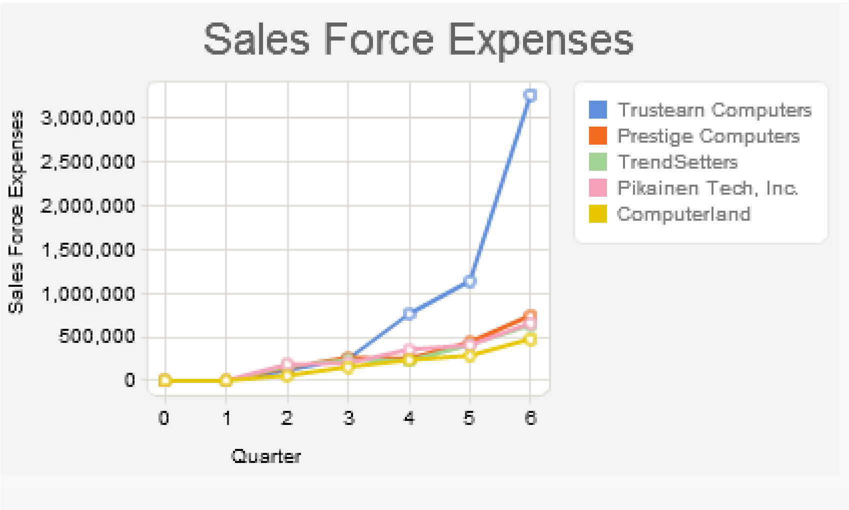
World Market						
City	**Annual Salary**	**Total Sales People**	**Support**	**Workhorse**	**Mercedes**	**Traveler**
Quarterly Training Costs			**3,000**	**2,000**	**4,000**	**3,000**
Chicago-NORAM	53,976	35	8	9	9	9
Sao Paulo-LATAM	53,976	35	8	9	9	9

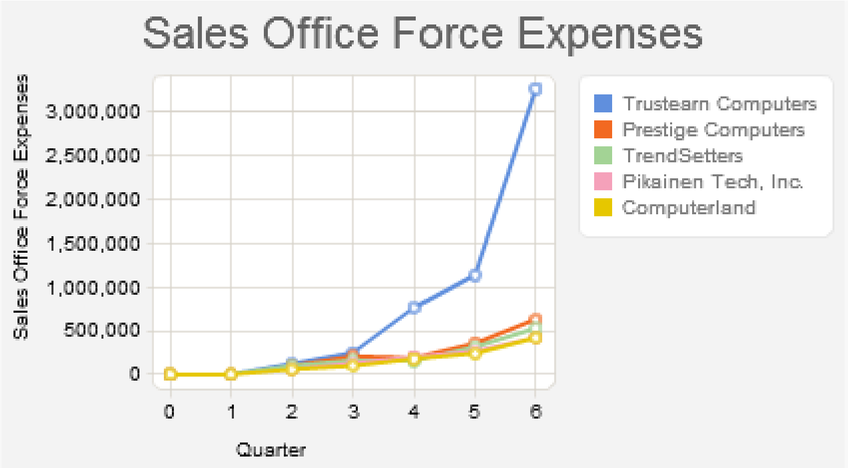
World Market							
City	Annual Salary	Total Sales People	Support	Workhorse	Mercedes	Traveler
Paris-EMEA	53,976	35	8	9	9	9
Shanghai-APAC	53,976	35	8	9	9	9

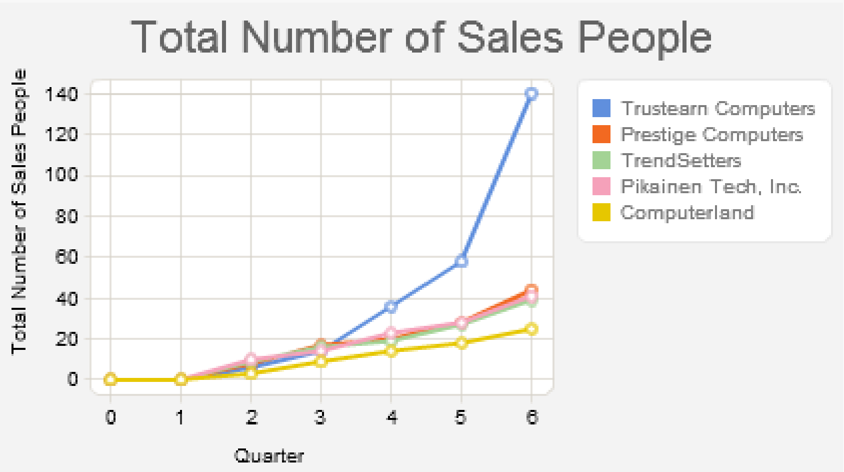
Total number of sales people in the prior quarter	58
Total number of sales people in the current quarter	140
Net change in number of sales people in region	82
Cost to hire new sales people	952,878
Cost to lay off sales people	0
Cost to employ sales people for the quarter	2,309,144

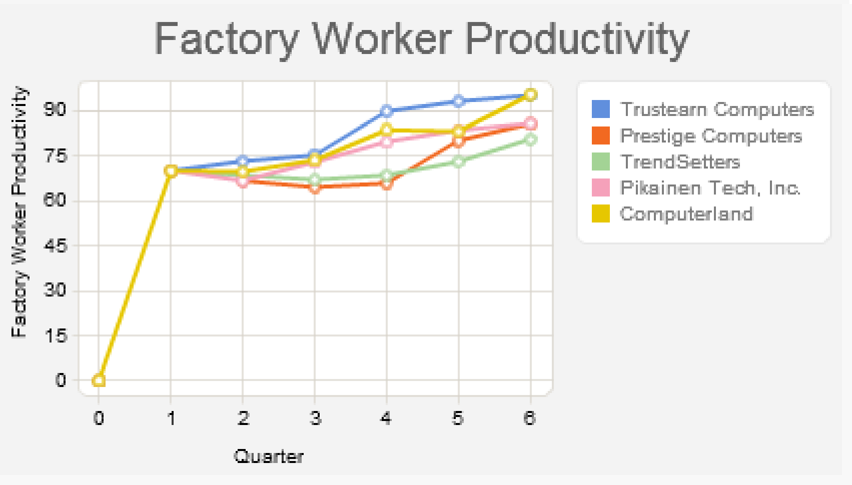
Total sales force budget: 3,262,022

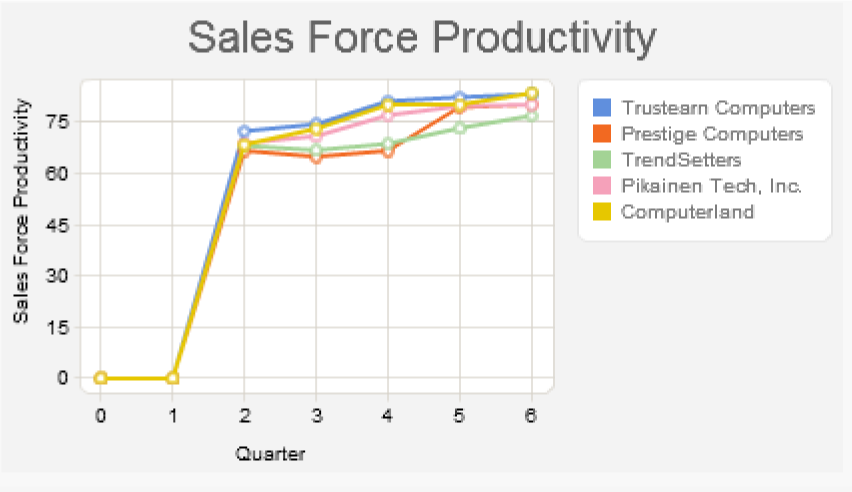
Channel Profitability		
	World Market	
	Sales Offices	Web Center
Sales Revenue	20,620,000	0
- Rebates	0	0
- Cost of Goods Sold	8,404,823	0
= Gross Margin	**12,215,177**	**0**
Sales Office Leases	490,000	0
+ Sales Force Expenses	3,262,022	0
+ Web Marketing Expenses	0	0
= Channel Expenses	**3,752,022**	**0**
Channel Profit	**8,463,155**	**0**
% from Sales Revenue	41	0




Sales Office Force Expenses
Sales Office Force Expenses
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland


Total Number of Sales People
Total Number of Sales People
140
120
100
80
60
40
20
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland


Factory Worker Productivity
Factory Worker Productivity
90
75
60
45
30
15
0
0
1
2
3
4
5
6
Quarter
Trustearn Computers
Prestige Computers
TrendSetters
Pikainen Tech, Inc.
Computerland



3. Human Resource strategy

Please do base on followings

- good employee morale -> higher productivity -> more sales.

- I try to give the highest vacation because long vacation has positive effects on emploees' productivity. Also, give high salary and health benefits. I means I try to focuse on employees' welfare. (do reference)

- This is data you must analysis and explain specific data in order to explain our company's Human resource strategy.

Industry Sales Force Compensation – quarter 6

Company	Salary	Health Benefits	Vacation	Pension	Total Yearly Cost	Productivity
Trustearn Computers	35,000	Comprehensive coverage 11,550	5 weeks 5,326	6% 2,100	53,976	83.3%
Prestige Computers	30,500	Comprehensive coverage 10,065	2 weeks 1,694	8% 2,440	44,699	80.2%
TrendSetters	35,000	Full coverage 7,700	1 week 907	6% 2,100	45,707	77.0%
Pikainen Tech, Inc.	32,119	Comprehensive coverage 10,599	2 weeks 1,784	6% 1,927	46,429	80.2%
Computerland	39,000	Comprehensive coverage 12,870	3 weeks 3,383	8% 3,120	58,373	83.6%
Average for all electronics firms	34,412	Full coverage 8,654	2 weeks 2,087	6% 2,068	47,221	
Importance of further improvements for all electronic firms						
	95	92	81	78		

Industry Factory Worker compensation – quarter 6

Company	Salary	Health Benefits	Vacation	Pension	Total Yearly Cost	Productivity
Trustearn Computers	22,000	Comprehensive coverage 7,260	5 weeks 3,347	6% 1,320	33,927	95.0%
Prestige Computers	17,900	Comprehensive coverage 5,907	3 weeks 1,553	9% 1,611	26,971	85.5%
TrendSetters	20,000	Full coverage 4,400	2 weeks 1,111	7% 1,400	26,911	80.5%
Pikainen Tech, Inc.	18,959	Comprehensive coverage 6,256	3 weeks 1,645	7% 1,327	28,187	85.7%
Computerland	24,000	Comprehensive coverage 7,920	3 weeks 2,082	8% 1,920	35,922	95.2%
Average for all electronics firms	20,076	Full coverage 5,092	2 weeks 1,415	6% 1,269	27,852	
Importance of further improvements for all electronic firms						
	95	92	81	78		

Human Resource Management is a measure of how well the executive team is able to recruit the best employees, satisfy their needs, and motivate them to excel. Sales force productivity and factory worker productivity are averaged together to obtain a single score. High performance is only possible if the firm's compensation packages are competitive and in tune with what is important to employees over time. The scores range from zero to 1.00 and a good score would be greater than 0.80.

Human Resource Management = (Sales Force Productivity / 100 + Factory Worker Productivity / 100) / 2

Cumulative Human Resource Management

Cumulative Human Resource Management = (Human Resource Management Q3 + Human Resource Management Q4 + Human Resource Management Q5 + Human Resource Management Q6) / 4

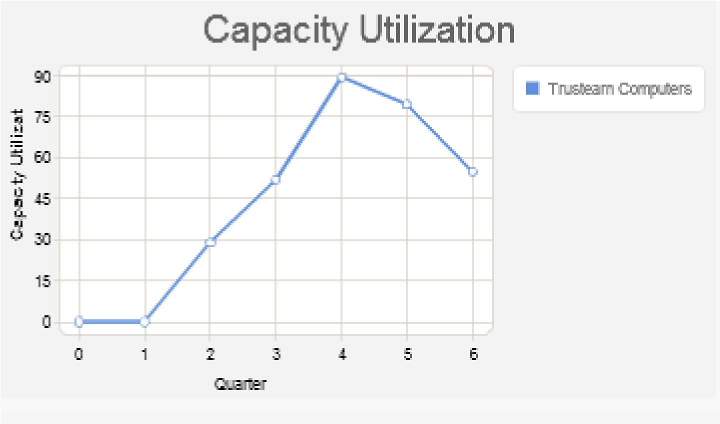
= (0.75 + 0.85 + 0.88 + 0.89) / 4
= 0.84

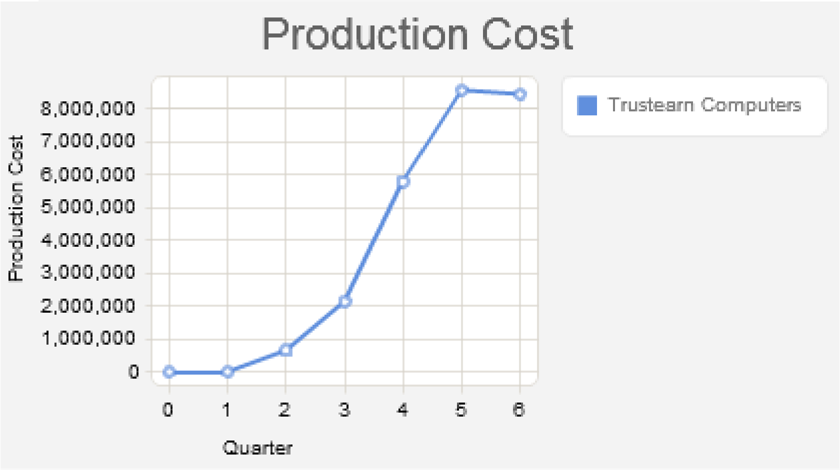
Human Resource Management Q3: 0.75
Human Resource Management Q4: 0.85
Human Resource Management Q5: 0.88
Human Resource Management Q6: 0.89

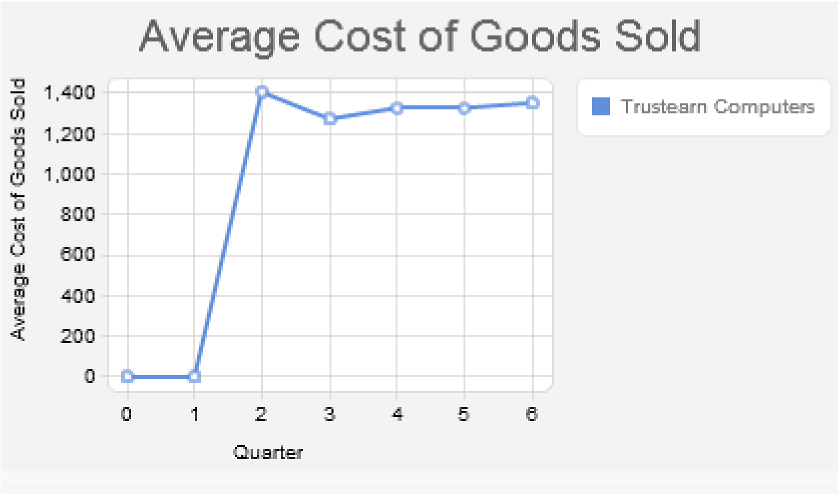
4. Manufacturing strategy

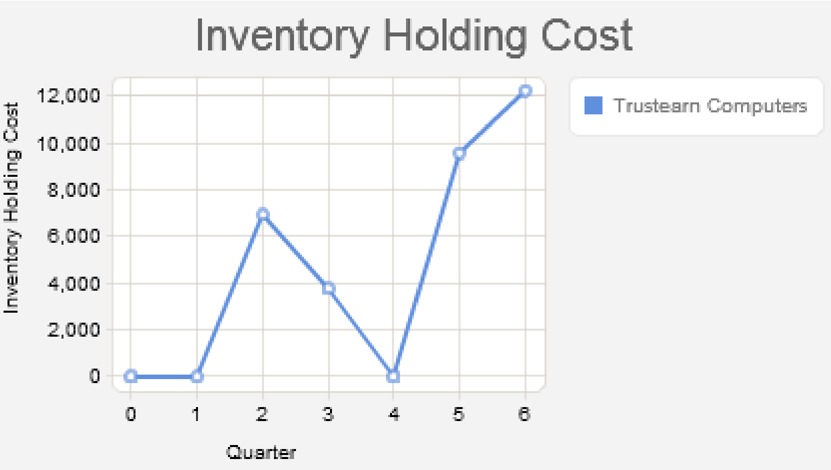
Fixed capacity increase 25unit every quarters but quarter 5 increase 50 unit so I did not increase quarter 6. (25-> 50-> 75-> 100 -> 125 -> 175)

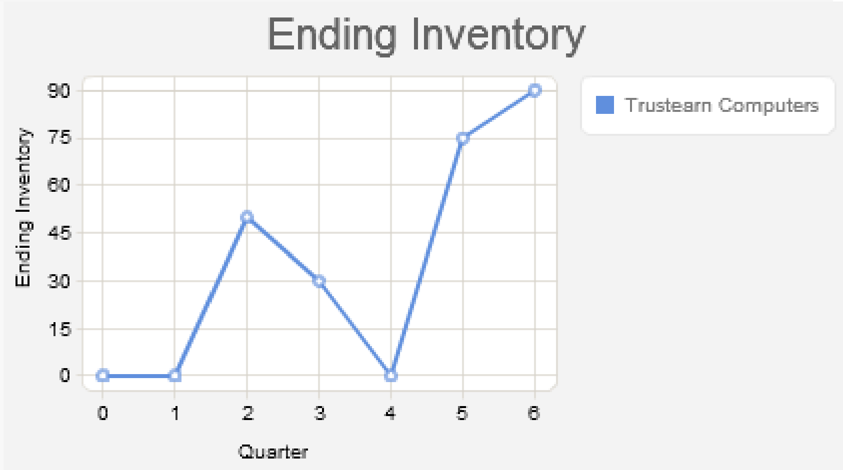
Operating capacity is same to increase fixed capacity.

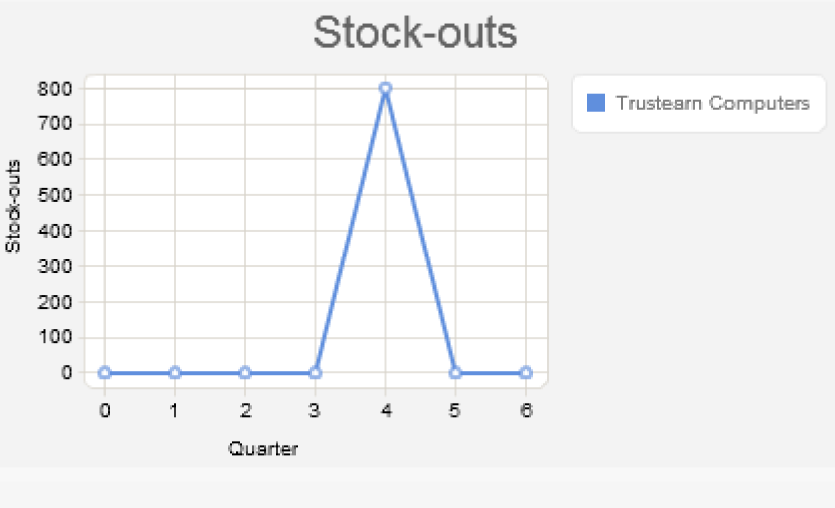

Capacity Utilization
Capacity Utilizat
90
75
60
45
30
15
0
0
1
2
3
4
5
6
Quarter
Trusteam Computers


Production Cost
Production Cost
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
0
1
2
3
4
5
6
Quarter
Trusteam Computers


Average Cost of Goods Sold
Average Cost of Goods Sold
1,400
1,200
1,000
800
600
400
200
0
0
1
2
3
4
5
6
Quarter
Trusteam Computers







Manufacturing Productivity measures of productivity focuses on how much of the operating capacity is actually used in production versus that portion lost to excess capacity. Excess capacity costs occur when the factory is scheduled to produce more inventory than is needed to meet demand or stock the warehouse. Good forecasting and production scheduling will reduce penalties for excess capacity.

The score ranges from 0.0 to 1.0. A very good score would be 0.80.
Manufacturing Productivity = (Percent of Operating Capacity Used in Production / 100)

Cumulative Manufacturing Productivity

Cumulative Manufacturing Productivity = (Manufacturing Productivity Q3 + Manufacturing Productivity Q4 + Manufacturing Productivity Q5 + Manufacturing Productivity Q6) / 4

= (0.68 + 1.00 + 0.86 + 0.58) / 4
= 0.78

Manufacturing Productivity Q3: 0.68
Manufacturing Productivity Q4: 1.00
Manufacturing Productivity Q5: 0.86
Manufacturing Productivity Q6: 0.58

Inventory Position - Number of Units

Brand	Starting Inventory	Number of Units Produced	Net Demand	Number of Units Sold	Lost Sales Due to Stock-Outs	Ending Inventory
TE	15	1,310	1,310	1,310	0	15
Golden	15	806	806	806	0	15
TE II	15	1,194	1,194	1,194	0	15
Golden II.	15	902	902	902	0	15
GoldenTE.	15	1,392	1,392	1,392	0	15
Golden TE II	0	631	616	616	0	15
Total	**75**	**6,235**	**6,220**	**6,220**	**0**	**90**

Production Costs per Unit

Brand	Units Produced	Direct Materials	+ Direct Labor	+ Total Overhead	= Production Average
TE	1,310	791	436	42	1,268
Golden	806	628	436	42	1,105
TE II	1,194	814	436	42	1,291
Golden II.	902	649	436	42	1,126
GoldenTE.	1,392	1,100	436	42	1,577
Golden TE II	631	1,309	436	42	1,786

Inventory Position - Cost / Unit

Brand	Starting Inventory Average Cost / Unit	Production Average Cost / Unit	Average Costs per Unit of Goods Sold	Ending Inventory Average Costs / Unit
TE	1,273	1,268	1,269	1,269
Golden	1,110	1,105	1,105	1,105
TE II	1,296	1,291	1,291	1,291
Golden II.	1,132	1,126	1,126	1,126
GoldenTE.	1,581	1,577	1,577	1,577
Golden TE II	0	1,786	1,786	1,786

Operating Capacity Utilization

Operating Capacity	
Planned operating capacity	11,375
Factory workers productivity	95.0%
Effective operating capacity	10,790
Effective operating capacity utilized	6,235
Effective operating capacity utilization	58%
Excess Capacity	
Unused operating capacity	4,555
Excess operating capacity	42%

Inventory Position - Cost / Unit

Brand	Starting Inventory Average Cost / Unit	Production Average Cost / Unit	Average Costs per Unit of Goods Sold	Ending Inventory Average Costs / Unit
Overhead costs and labor charged to excess operating capacity			2,172,901	

5.Financial strategy

Income Statement - All Quarters

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
Gross Profit						
Revenues	0	1,539,000	4,556,000	14,176,050	21,409,300	20,620,000
- Rebates	0	708,050	0	0	0	0
- Cost of Goods Sold	0	589,441	2,169,105	5,817,536	8,458,092	8,404,823
= Gross Profit	**0**	**241,509**	**2,386,895**	**8,358,514**	**12,951,208**	**12,215,177**
Expenses						
Research and Development	120,000	120,000	0	2,027,670	3,711,083	60,000
+ Advertising	0	76,500	82,995	280,266	280,266	559,998
+ Sales Force Expense	0	121,482	250,030	762,826	1,140,147	3,262,022
+ Sales Office and Web Center Expenses	460,000	580,000	600,000	590,000	490,000	490,000
+ Marketing Research	0	15,000	15,000	15,000	15,000	15,000
+ Shipping	0	20,040	61,531	131,128	177,001	173,441
+ Inventory Holding Cost	0	6,945	3,770	0	9,589	12,230
+ Excess Capacity Cost	0	490,137	447,723	0	524,125	2,172,901
+ Depreciation	0	25,000	50,000	75,000	120,833	166,667
+ Web Marketing Expenses	0	0	0	0	0	0
= Total Expenses	**580,000**	**1,455,104**	**1,511,050**	**3,881,890**	**6,468,044**	**6,912,259**
Operating Profit	**-580,000**	**-1,213,595**	**875,846**	**4,476,624**	**6,483,164**	**5,302,918**
Miscellaneous Income and Expenses						
+ Other Income	0	0	0	0	0	0
- Other Expenses	0	0	0	0	0	0
= Earnings Before Interest and Taxes	**-580,000**	**-1,213,595**	**875,846**	**4,476,624**	**6,483,164**	**5,302,918**
+ Interest Income	0	0	0	0	0	0
- Interest Charges	0	0	1,902	0	0	0
= Income Before Taxes	**-580,000**	**-1,213,595**	**873,943**	**4,476,624**	**6,483,164**	**5,302,918**
- Loss Carry Forward	0	0	873,943	919,652	0	0
= Taxable Income	**0**	**0**	**0**	**3,556,972**	**6,483,164**	**5,302,918**
- Income Taxes	0	0	0	1,422,789	2,593,265	2,121,167
= Net Income	**-580,000**	**-1,213,595**	**873,943**	**3,053,835**	**3,889,898**	**3,181,751**
Earnings per Share	**-29**	**-40**	**22**	**38**	**48**	**40**

Cash Flow - All Quarters

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
Beginning Cash Balance	**0**	**820,000**	**1**	**1,317,644**	**7,384,183**	**10,199,029**
Receipts and Disbursements from Operating Activities						
Revenues	0	1,539,000	4,556,000	14,176,050	21,409,300	20,620,000
- Rebates	0	708,050	0	0	0	0
- Production	0	658,894	2,137,356	5,779,831	8,553,977	8,431,238
- Research and Development	120,000	120,000	0	2,027,670	3,711,083	60,000
- Advertising	0	76,500	82,995	280,266	280,266	559,998
- Sales Force Expense	0	121,482	250,030	762,826	1,140,147	3,262,022
- Sales Office and Web Center Expenses	460,000	580,000	600,000	590,000	490,000	490,000
- Marketing Research	0	15,000	15,000	15,000	15,000	15,000
- Shipping	0	20,040	61,531	131,128	177,001	173,441
- Inventory Holding Cost	0	6,945	3,770	0	9,589	12,230
- Excess Capacity Cost	0	490,137	447,723	0	524,125	2,172,901
- Web Marketing Expenses	0	0	0	0	0	0
- Income Taxes	0	0	0	1,422,789	2,593,265	2,121,167
+ Interest Income	0	0	0	0	0	0
- Interest Charges	0	0	1,902	0	0	0
+ Other Income	0	0	0	0	0	0
- Other Expenses	0	0	0	0	0	0
= Net Operating Cash Flow	**-580,000**	**-1,258,048**	**955,692**	**3,166,540**	**3,914,846**	**3,322,002**
Investing Activities						
Fixed Plant Capacity	600,000	600,000	600,000	1,100,000	1,100,000	0
= Total Investing Activities	**600,000**	**600,000**	**600,000**	**1,100,000**	**1,100,000**	**0**
Financing Activities						
Increase in Common Stock	2,000,000	1,000,000	1,000,000	4,000,000	0	0
+ Borrow Conventional Loan	0	0	0	0	0	0
- Repay Conventional Loan	0	0	0	0	0	0
+ Borrow Emergency Loan	0	38,049	0	0	0	0
- Repay Emergency Loan	0	0	38,049	0	0	0
- Deposit 3 Month Certificate	0	0	0	0	0	0
+ Withdraw 3 Month Certificate	0	0	0	0	0	0
= Total Financing Activities	**2,000,000**	**1,038,049**	**961,951**	**4,000,000**	**0**	**0**
Cash Balance, End of Period	**820,000**	**1**	**1,317,644**	**7,384,183**	**10,199,029**	**13,521,032**

Balance Sheet - All Quarters

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
Current Assets						
Cash	820,000	1	1,317,644	7,384,183	10,199,029	13,521,032
+ 3 Month Certificate of Deposit	0	0	0	0	0	0
+ Finished Goods Inventory	0	69,453	37,704	0	95,886	122,301
Long Term Assets						
+ Net Fixed Assets	600,000	1,175,000	1,725,000	2,750,000	3,729,167	3,562,500
= Total	**1,420,000**	**1,244,454**	**3,080,348**	**10,134,183**	**14,024,082**	**17,205,833**
Debt						
Conventional Bank Loan	0	0	0	0	0	0
+ Emergency Loan	0	38,049	0	0	0	0
Equity						
+ Common Stock	2,000,000	3,000,000	4,000,000	8,000,000	8,000,000	8,000,000
+ Retained Earnings	-580,000	-1,793,595	-919,652	2,134,183	6,024,082	9,205,833

Balance Sheet - All Quarters

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6
= Total	1,420,000	1,244,454	3,080,348	10,134,183	14,024,082	17,205,833

Industry Financial Ratios

Ratio	Trustearn Computers	Lowest	Highest	Average
Liquidity Ratios				
Current Liquidity Ratio	N/A	N/A	N/A	N/A
Quick Liquidity Test Ratio	N/A	N/A	N/A	N/A
Activity Ratios				
Inventory Turnover	68.72	3.54	68.72	22.66
Fixed Assets Turnover	5.79	1.69	5.79	4.22
Total Assets Turnover	1.20	1.20	3.42	2.01
Leverage Ratios				
Debt Ratio	0.00	0.00	26.41	5.28
Debt to Paid In Capital	0.00	0.00	35.89	7.18
Profitability Ratios				
Gross Profit Margin	59.24	57.53	65.87	60.57
Net Profit Margin	15.43	1.79	26.07	13.22
Return on Assets	18.49	6.14	44.39	21.85
Return on Paid In Capital	18.49	6.14	44.39	23.32
Financial Statement Highlights				
Revenues	20,620,000	5,446,200	20,620,000	12,821,376
Gross Profit	12,215,177	3,587,516	12,215,177	7,670,089
Net Income	3,181,751	156,888	3,447,758	1,789,116

Financial Risk measures the executive team's ability to manage debt as a financial resource. The financial risk indicator is based upon the degree to which debt is part of the capital of the firm. As debt increases relative to the total capital, then the financial risk associated with the company increases. Conversely, as the proportion of equity in the total capital increases, then the perceived financial risk in the firm decreases.

To compute financial risk, the proportion of equity is obtained by computing the amount of equity in the firm and dividing it by the amount of capital invested in the firm from all sources. Specifically, the amount of equity is equal to the sum of common stock plus retained earnings. The amount of capital is equal to the sum of debt plus common stock plus retained earnings. As the ratio of equity to capital decreases (meaning more debt), then financial risk increases.

A value of 1.00 would indicate there is no debt and, therefore, no perceived financial risk.

It is important to realize that financial managers do not want to totally discourage debt. The optimum capital structure will vary by firm depending on its tax situation, overall risk, asset base, and financial slack. Some debt may be desirable in order to help the firm take advantage of value enhancing business opportunities (i.e., opportunities that earn more than the company's weighted average cost of capital).

In order to mitigate or downplay the effect of low amounts of debt in the capital structure, the value for the share of equity in the company is raised to a power of 0.5 (square root). Thus, if debt represented 20% of the capital structure, then the Financial risk indicator would be 0.89 (0.80 ^ 0.5). If debt were 50% of the capital structure, the Financial Risk indicator would be 0.71.

A Financial Risk indicator below 0.80 (more than 36% debt) would be considered unfavorable.

Financial Risk = (Total Equity / Total Capital) ^ 0.5

= (17,205,833 / 17,205,833) ^ 0.5
= 1.00

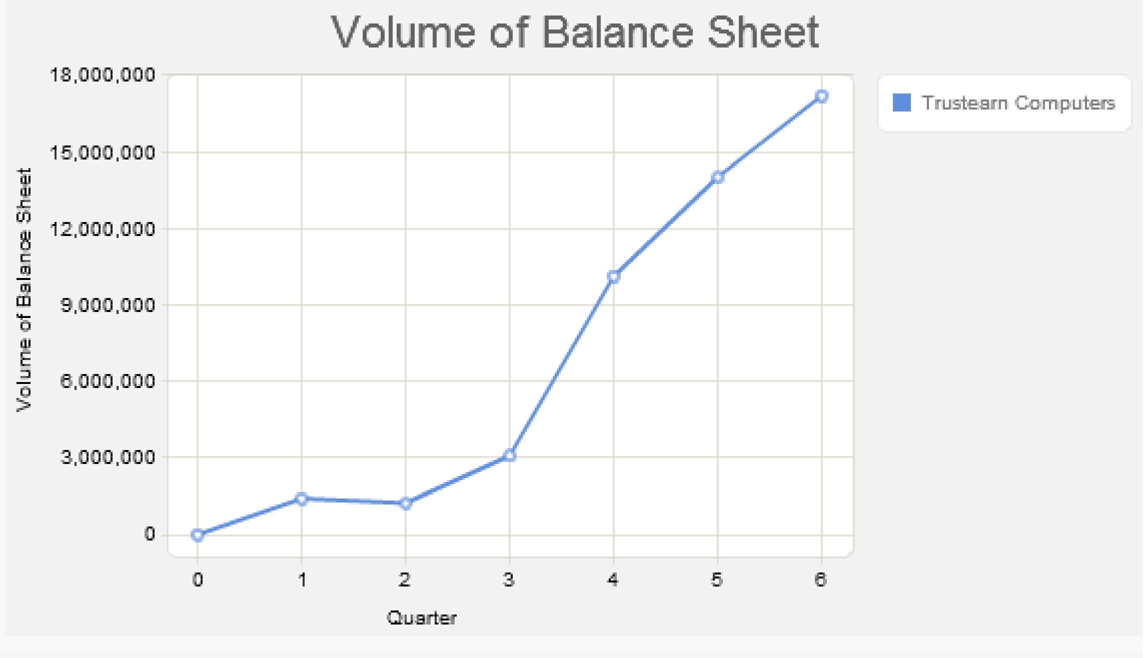
Total Equity
= Common Stock + Retained Earnings = 8,000,000 + 9,205,833 = 17,205,833
Common Stock: 8,000,000
Retained Earnings: 9,205,833
Total Capital
= Common Stock + Retained Earnings + Debt = 8,000,000 + 9,205,833 + 0 = 17,205,833
Common Stock: 8,000,000
Retained Earnings: 9,205,833
Debt: 0

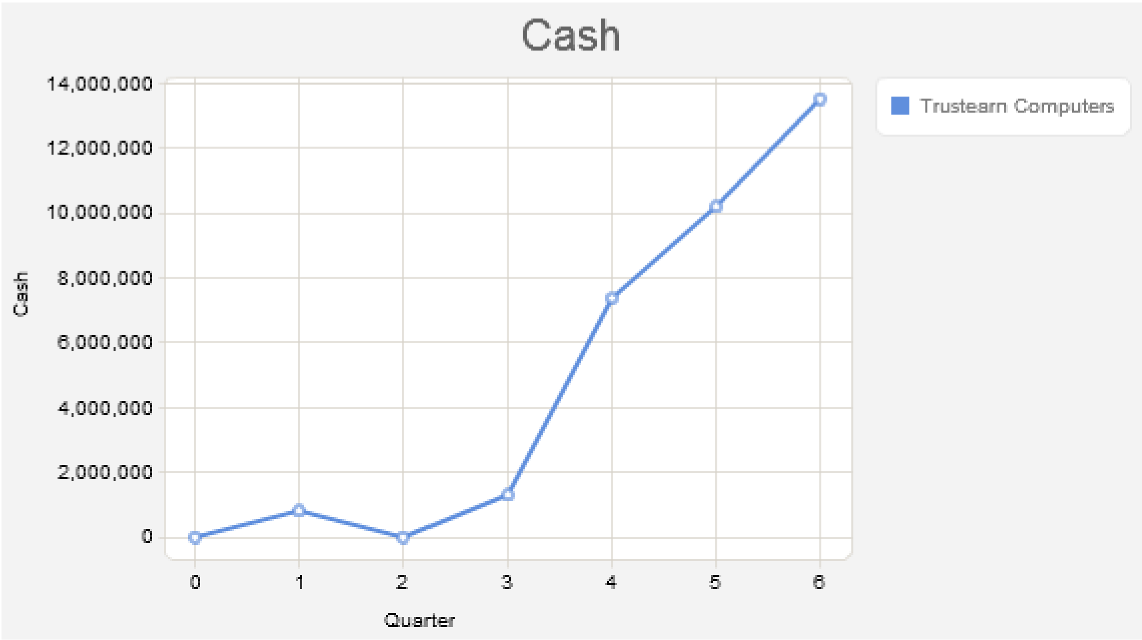
Cumulative Financial Risk

Cumulative Financial Risk = (Financial Risk Q3 + Financial Risk Q4 + Financial Risk Q5 + Financial Risk Q6) / 4

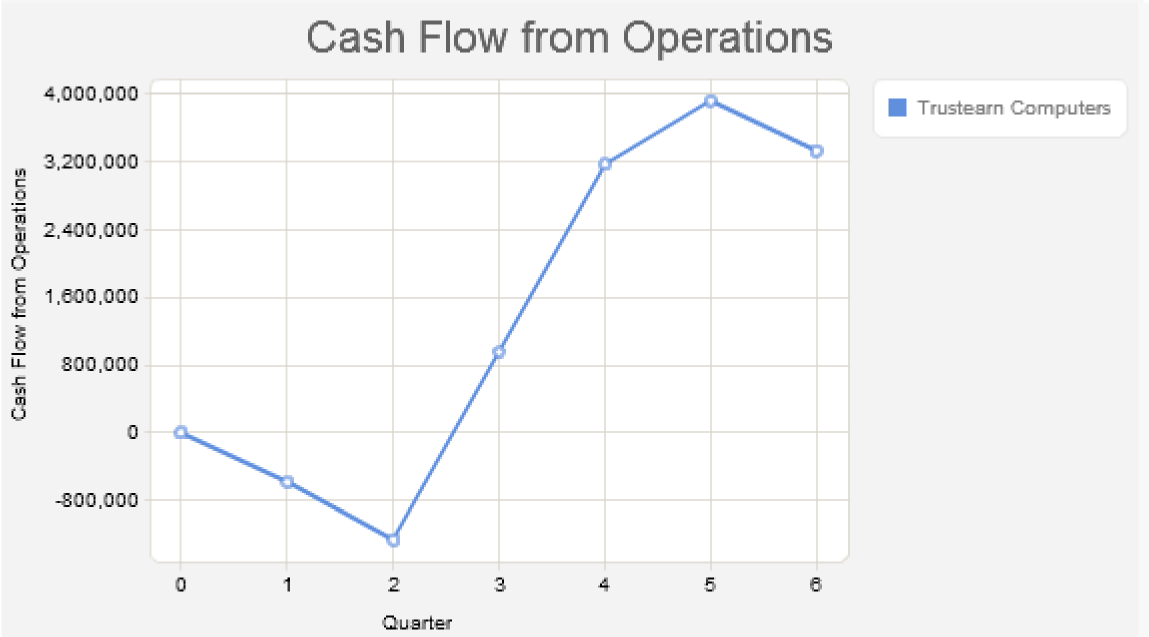
= (1.00 + 1.00 + 1.00 + 1.00) / 4
= 1.00

Financial Risk Q3: 1.00
Financial Risk Q4: 1.00
Financial Risk Q5: 1.00
Financial Risk Q6: 1.00

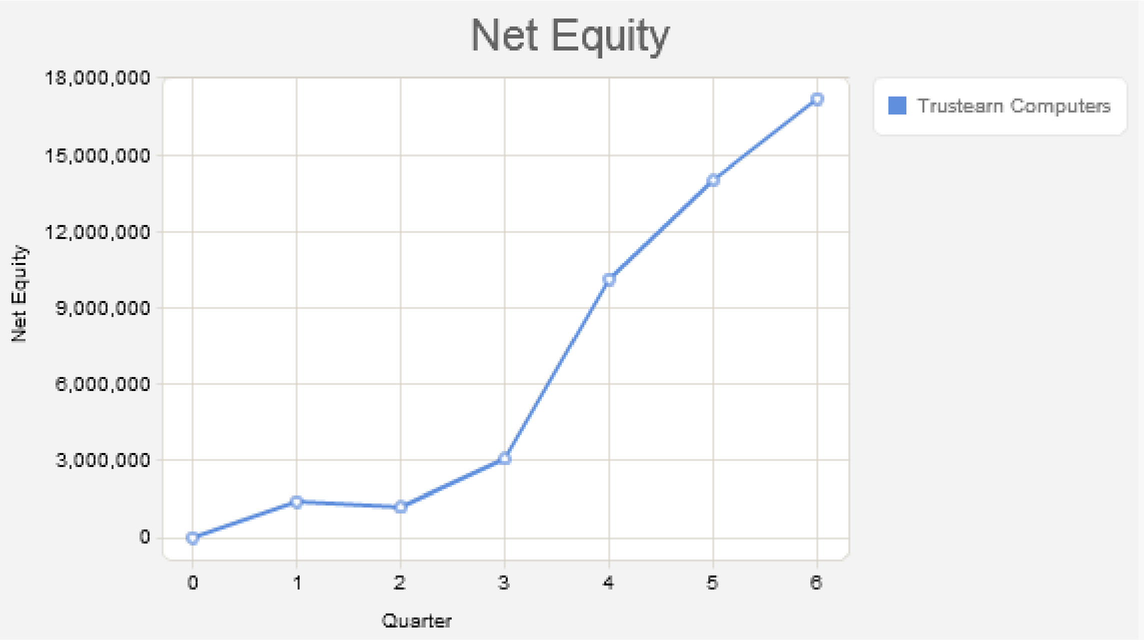


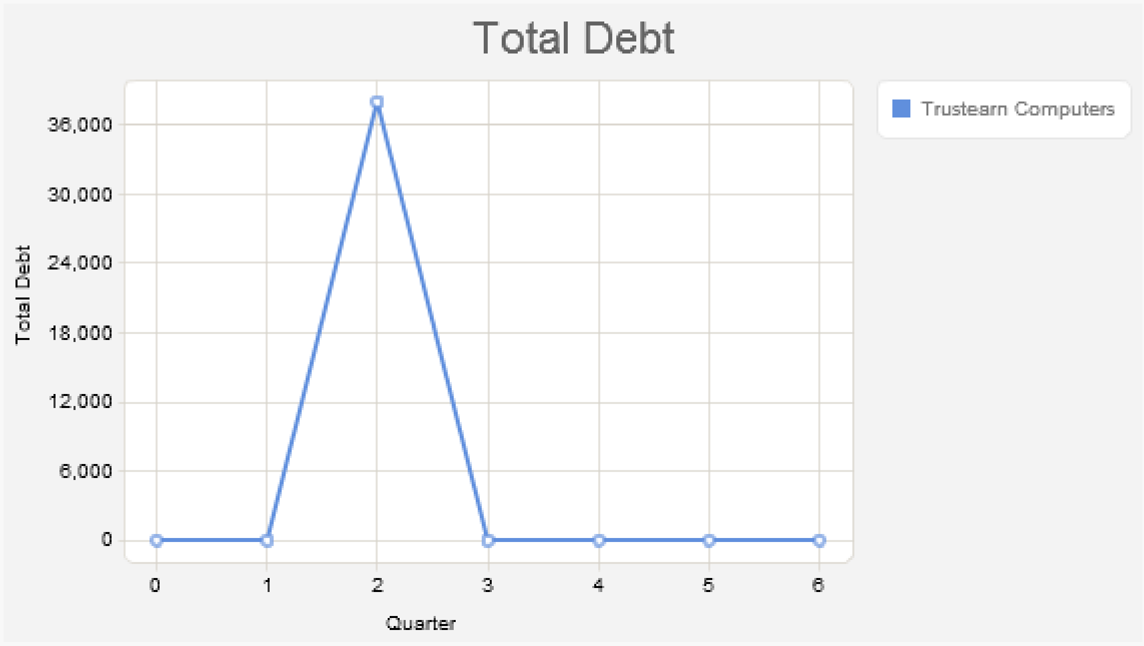


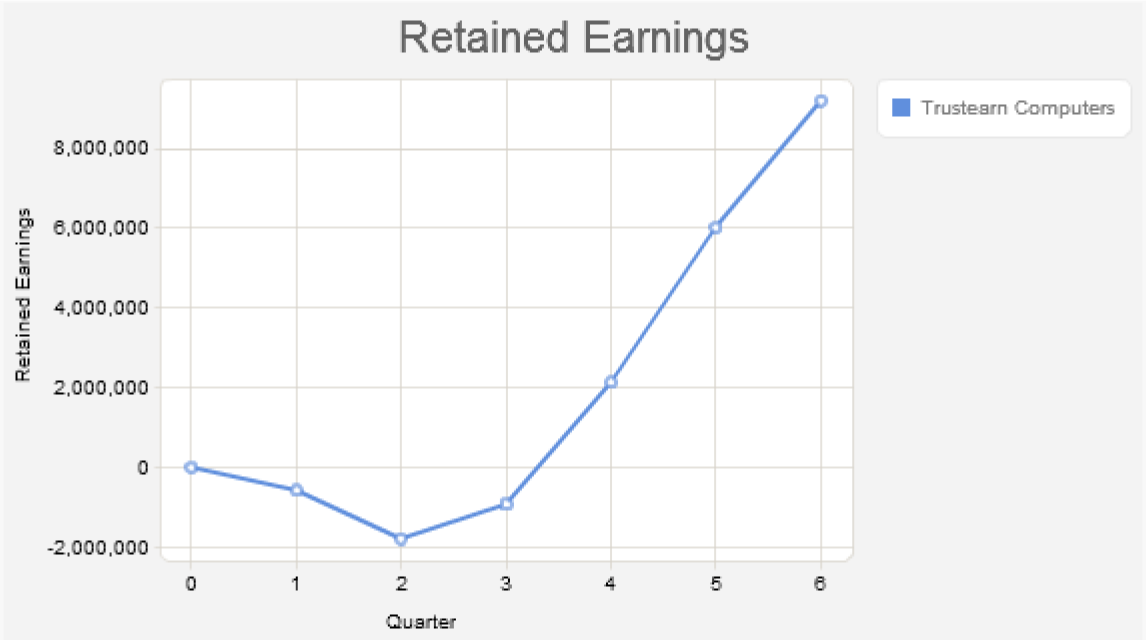
Cash
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
Cash
0
1
2
3
4
5
6
Quarter
Trustearn Computers

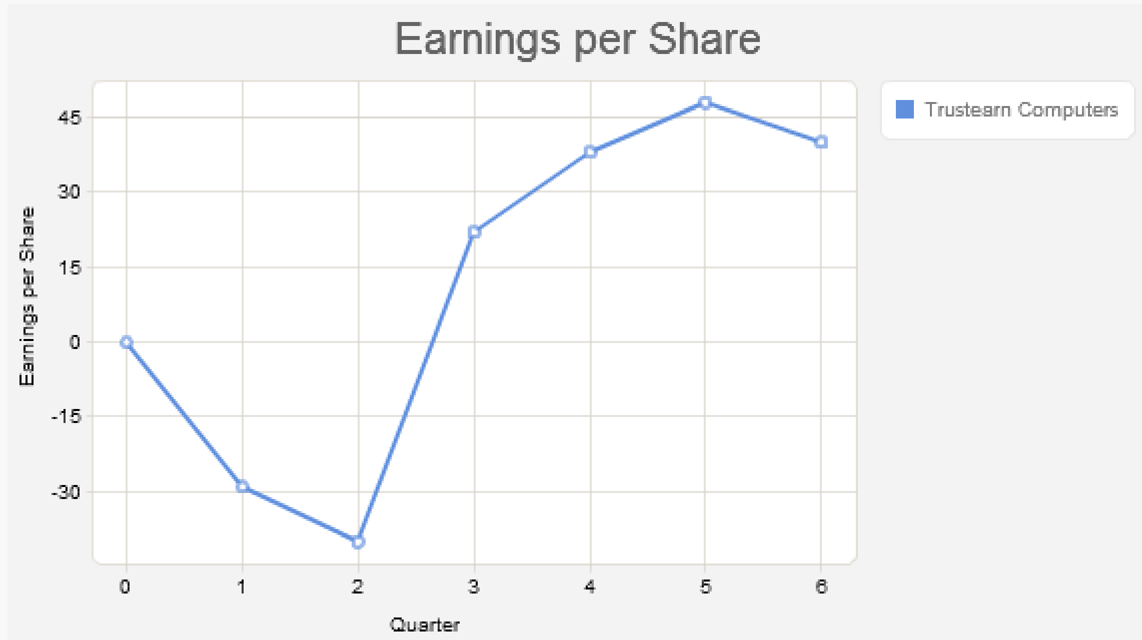


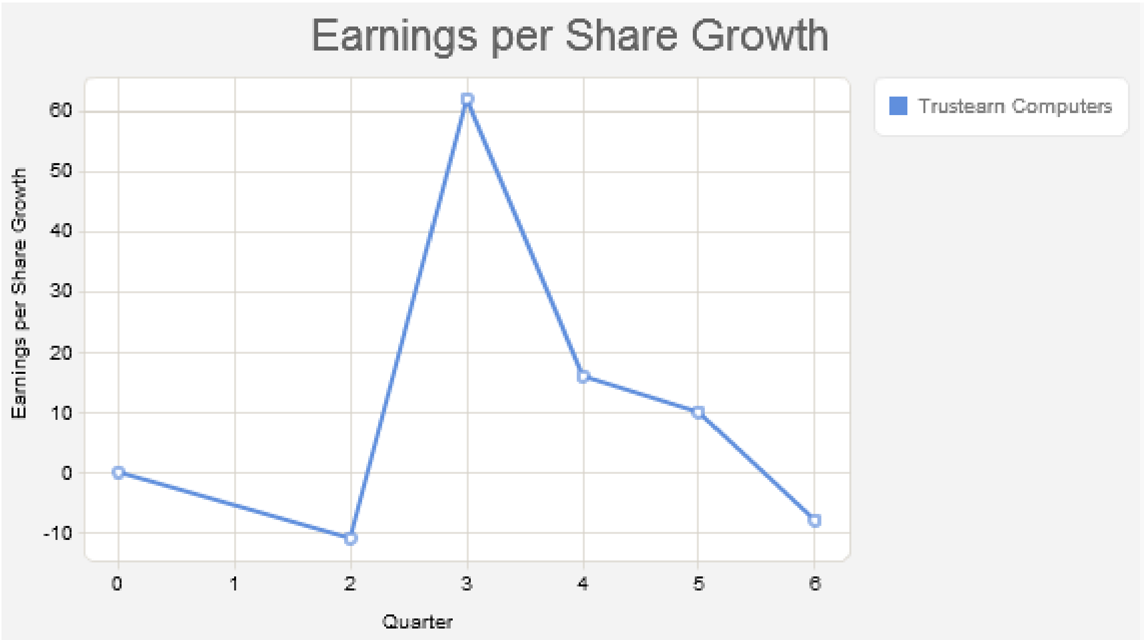
Cash Flow from Operations
4,000,000
3,200,000
2,400,000
1,600,000
800,000
0
-800,000
Cash Flow from Operations
0
1
2
3
4
5
6
Quarter
Trustearn Computers


Net Equity
Trustearn Computers
18,000,000
15,000,000
12,000,000
9,000,000
6,000,000
3,000,000
0
Net Equity
0
1
2
3
4
5
6
Quarter

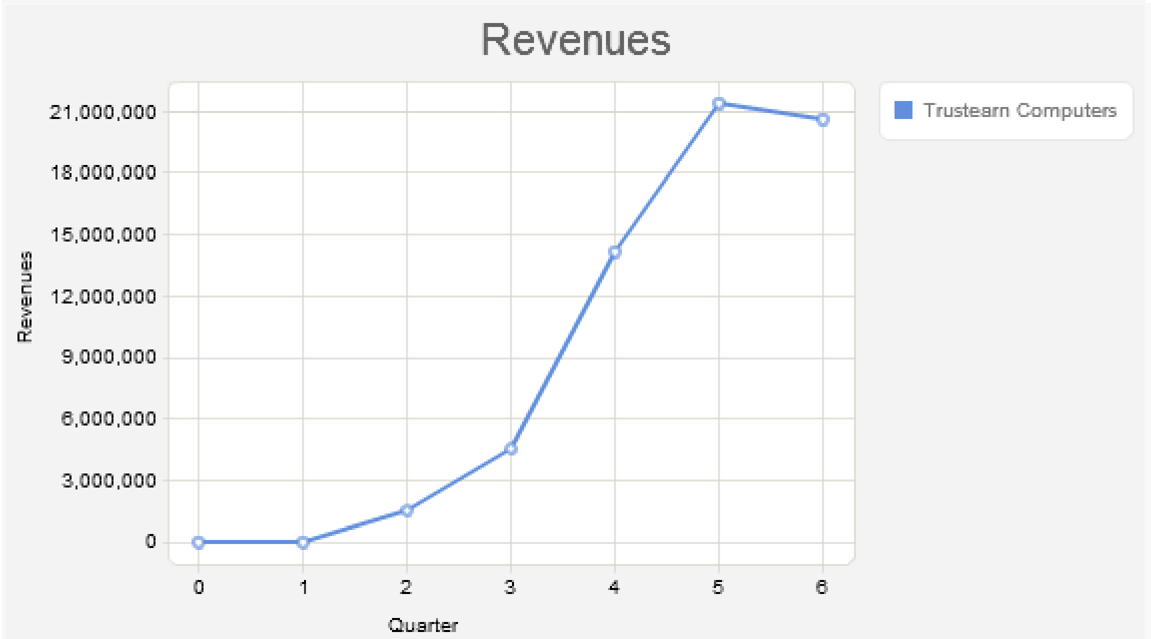

Total Debt
Trustearn Computers
36,000
30,000
24,000
18,000
12,000
6,000
0
Total Debt
0
1
2
3
4
5
6
Quarter


Retained Earnings
Trustearn Computers
Retained Earnings
8,000,000
6,000,000
4,000,000
2,000,000
0
-2,000,000
0
1
2
3
4
5
6
Quarter

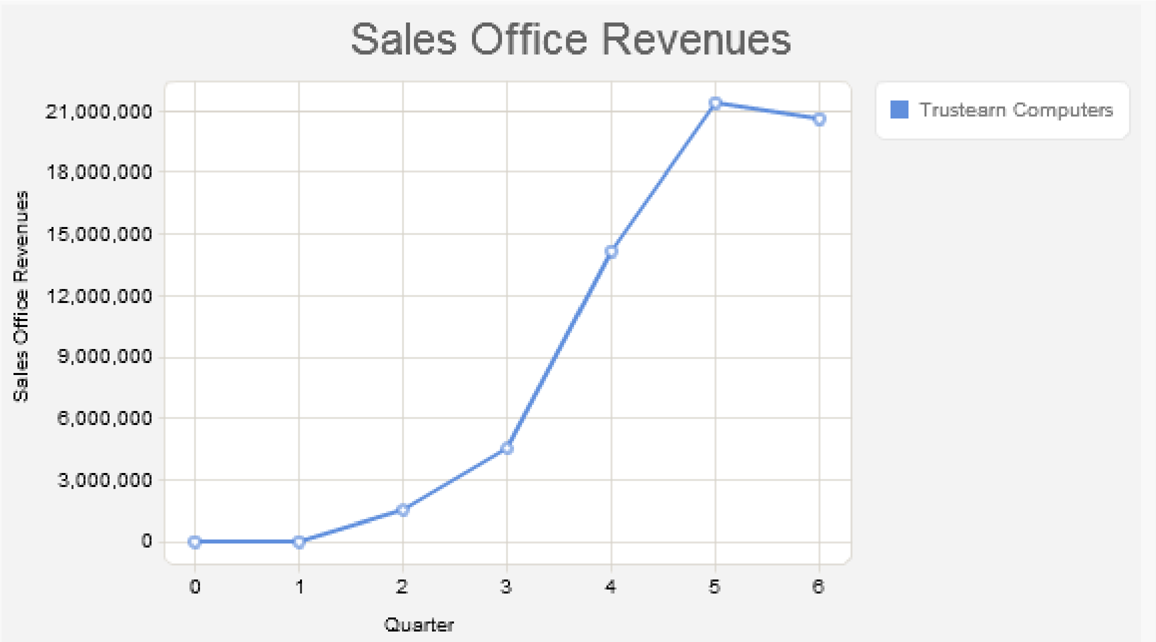

Earnings per Share
Trustearn Computers
Earnings per Share
45
30
15
0
-15
-30
0
1
2
3
4
5
6
Quarter



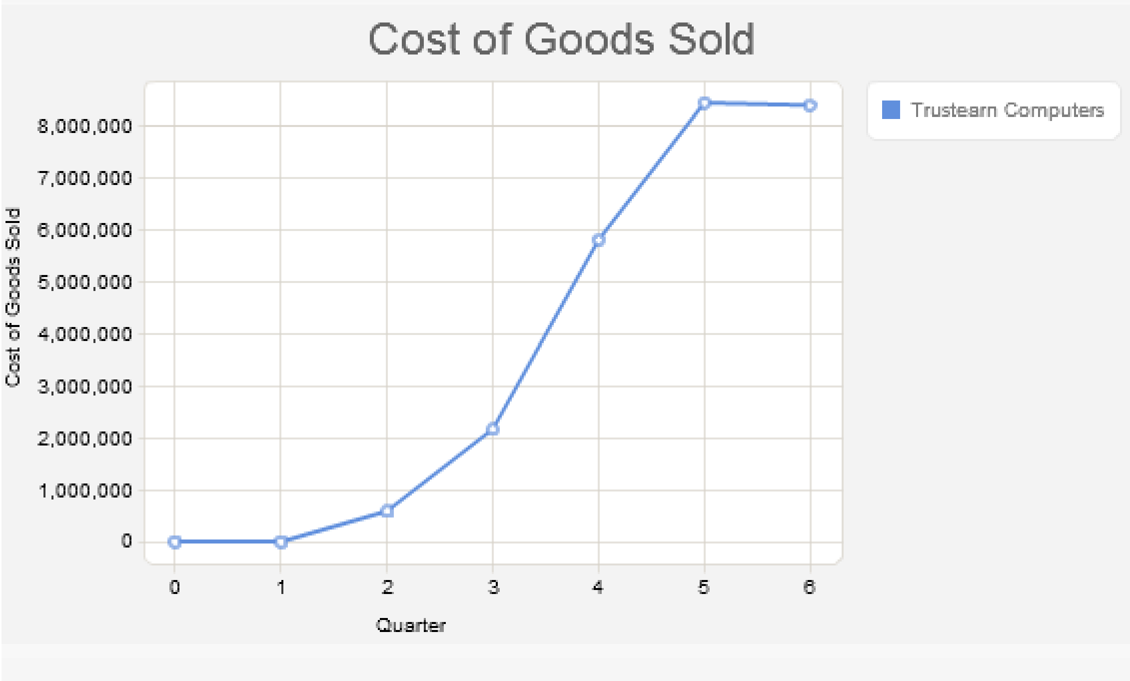
Earnings per Share Growth
Trustearn Computers
Earnings per Share Growth
60
50
40
30
20
10
0
-10
0
1
2
3
4
5
6
Quarter



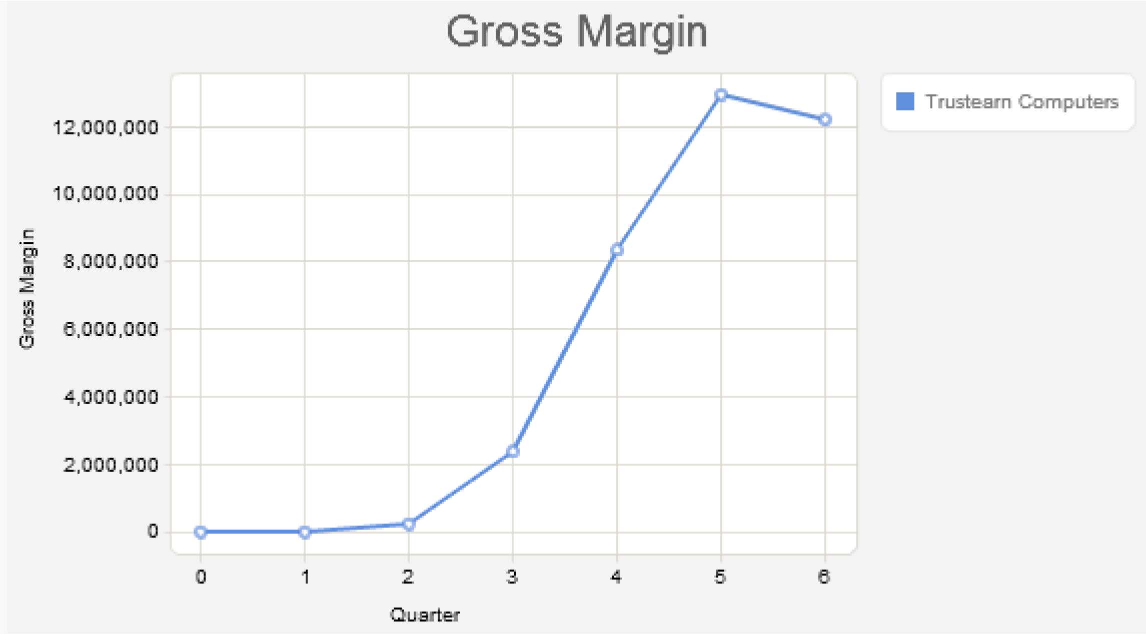
Revenues
Trustearn Computers
Revenues
21,000,000
18,000,000
15,000,000
12,000,000
9,000,000
6,000,000
3,000,000
0
0
1
2
3
4
5
6
Quarter

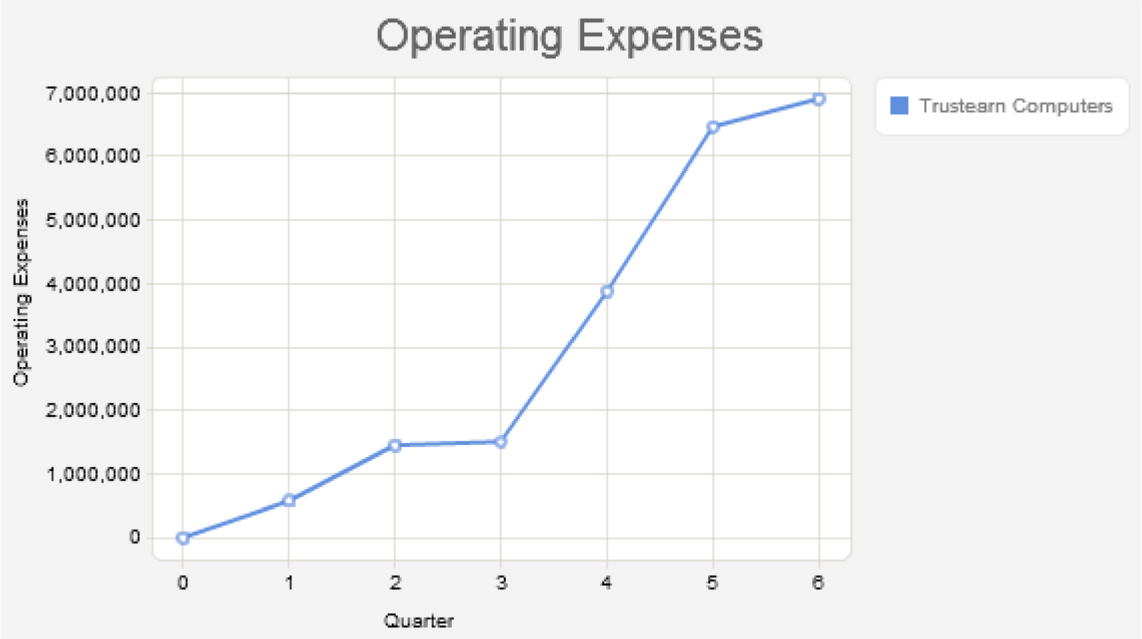


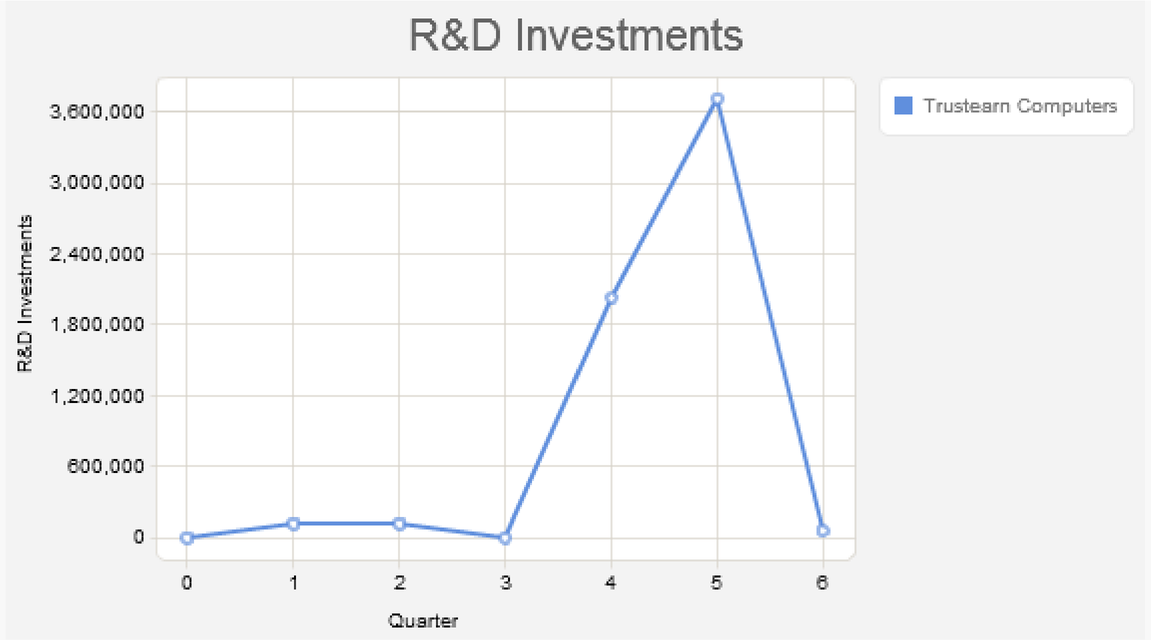
Sales Office Revenues
Trustearn Computers
Sales Office Revenues
21,000,000
18,000,000
15,000,000
12,000,000
9,000,000
6,000,000
3,000,000
0
0
1
2
3
4
5
6
Quarter

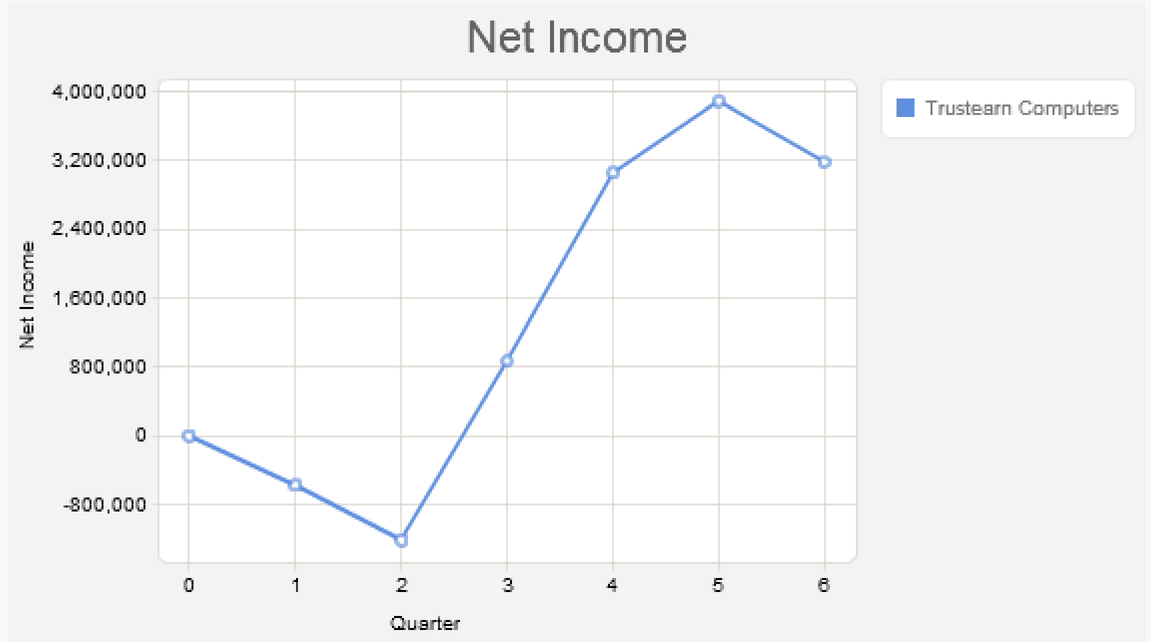


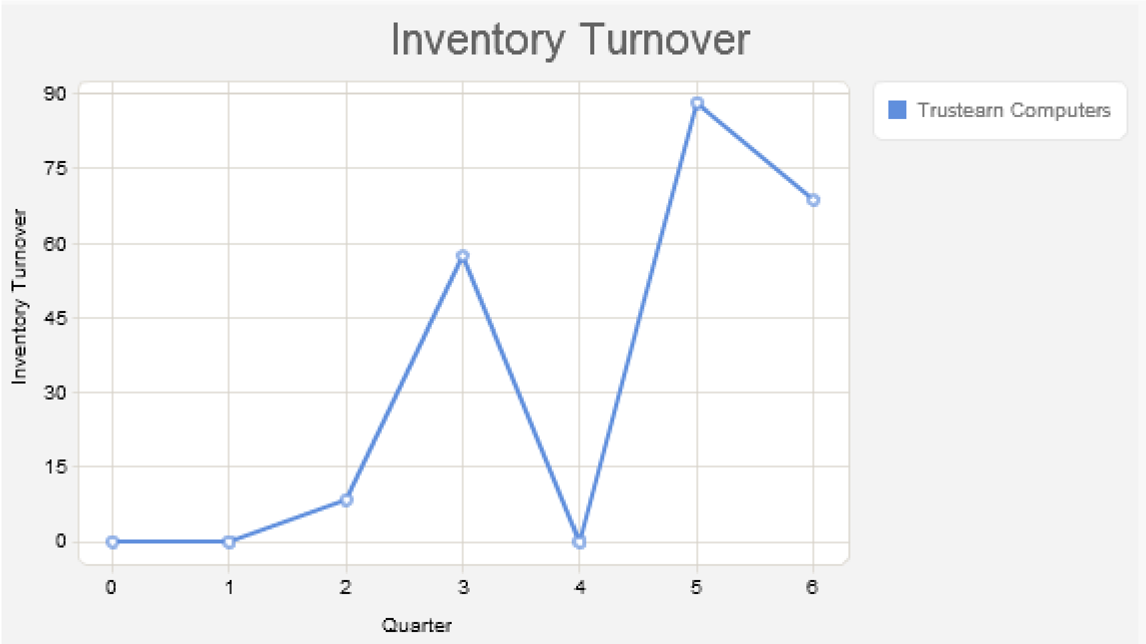
Cost of Goods Sold
Trustearn Computers
Cost of Goods Sold
8,000,000
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
0
1
2
3
4
5
6
Quarter

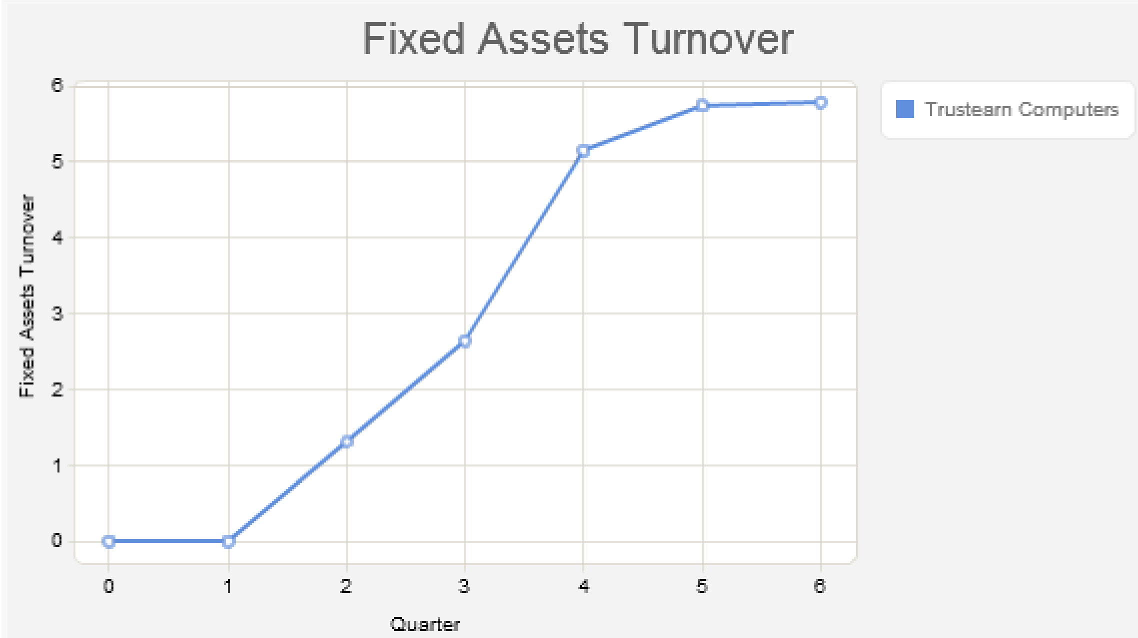

Gross Margin
Trustearn Computers
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
Gross Margin
0
1
2
3
4
5
6
Quarter

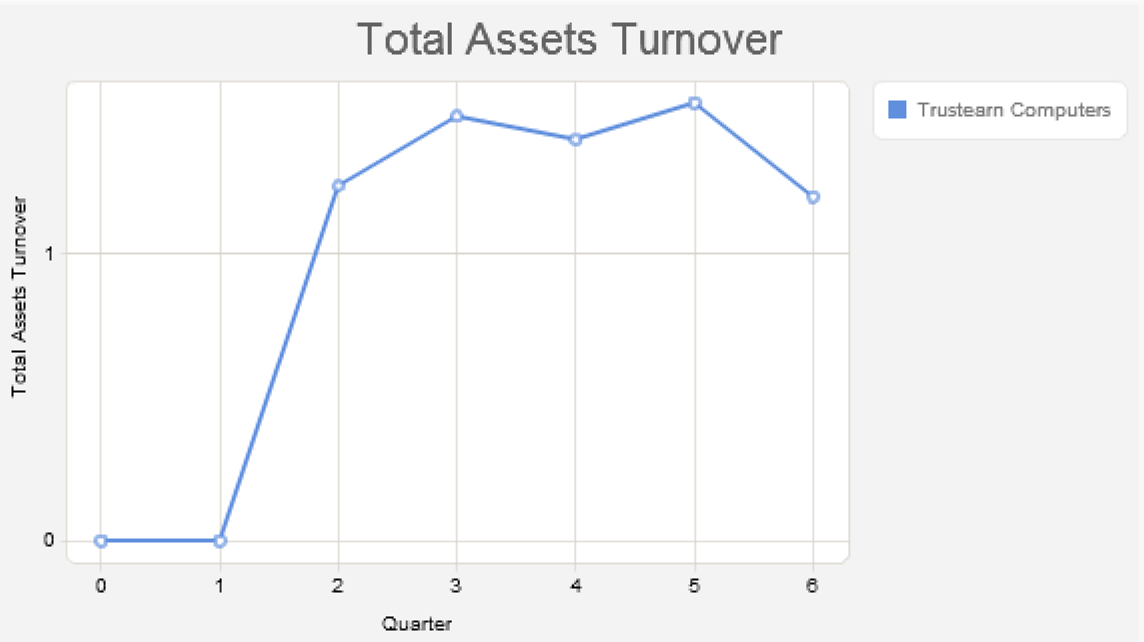

Operating Expenses
Trustearn Computers
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
Operating Expenses
0
1
2
3
4
5
6
Quarter

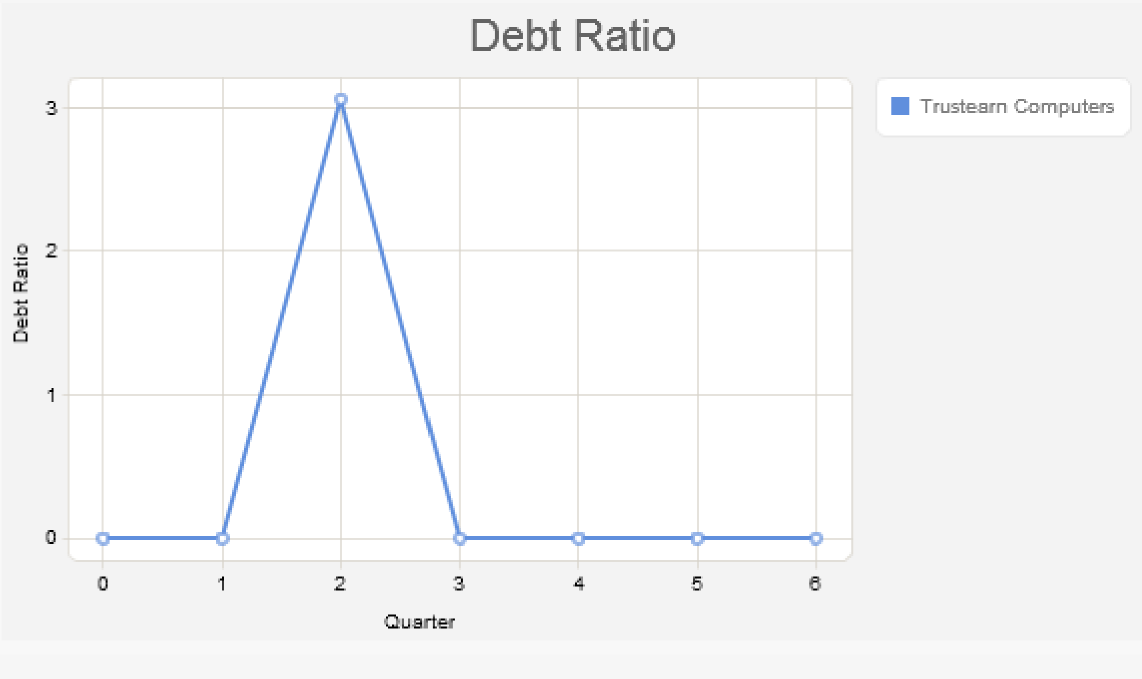

R&D Investments
Trustearn Computers
3,600,000
3,000,000
2,400,000
1,800,000
1,200,000
600,000
0
R&D Investments
0
1
2
3
4
5
6
Quarter

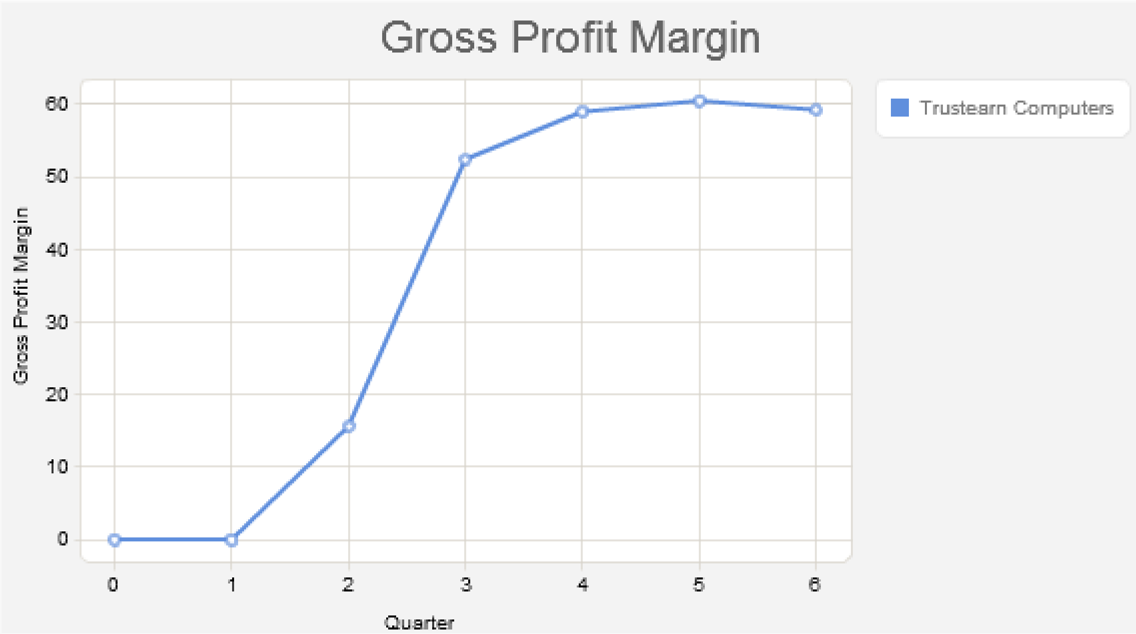

Net Income
Trustearn Computers
4,000,000
3,200,000
2,400,000
1,600,000
800,000
0
-800,000
Net Income
0
1
2
3
4
5
6
Quarter

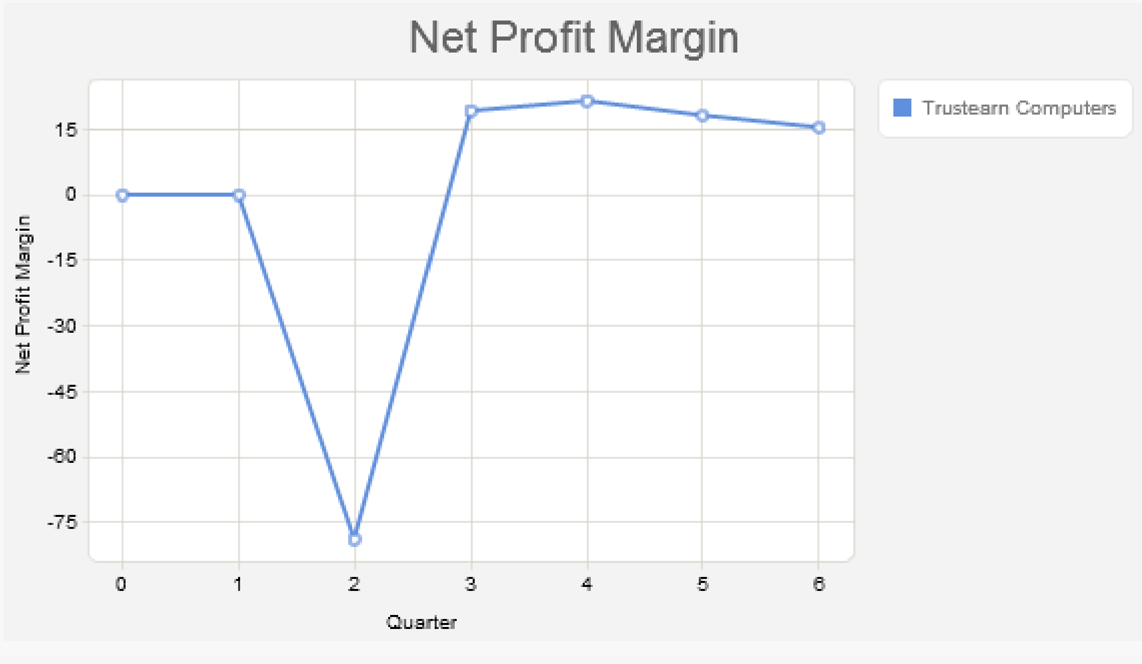

Inventory Turnover
Trustearn Computers
Inventory Turnover
90
75
60
45
30
15
0
0
1
2
3
4
5
6
Quarter

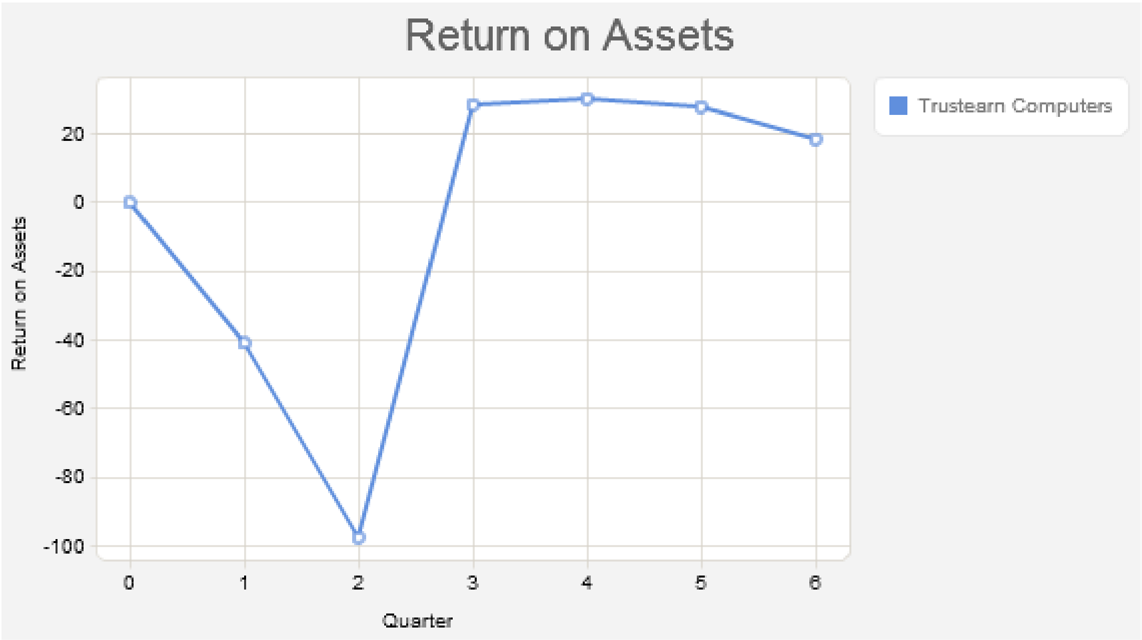

Fixed Assets Turnover
Trustearn Computers
Fixed Assets Turnover
6
5
4
3
2
1
0
0
1
2
3
4
5
6
Quarter

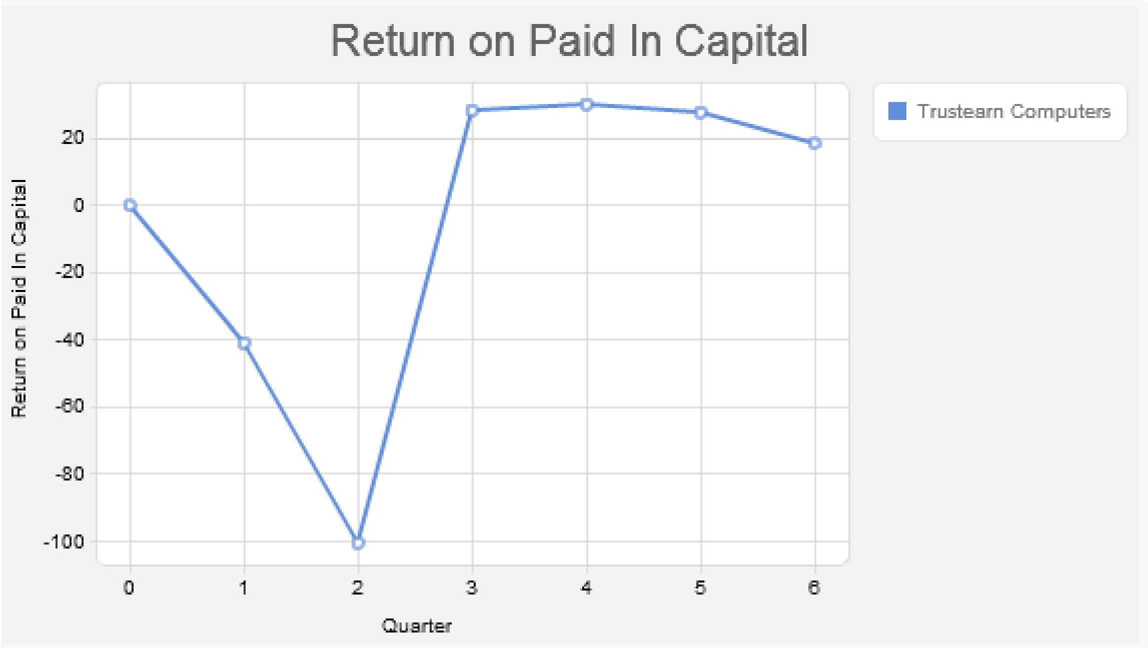

Total Assets Turnover
Trustearn Computers
Total Assets Turnover
1
0
0
1
2
3
4
5
6
Quarter


Debt Ratio
Trustearn Computers
Debt Ratio
3
2
1
0
0
1
2
3
4
5
6
Quarter


Gross Profit Margin
Trustearn Computers
Gross Profit Margin
60
50
40
30
20
10
0
0
1
2
3
4
5
6
Quarter


Net Profit Margin
Trustearn Computers
Net Profit Margin
15
0
-15
-30
-45
-60
-75
0
1
2
3
4
5
6
Quarter





6. Ethical and Social Implications

C. Assess your business strategy and performance during the second year

1. Compare actions taken the against business plan

Income statement						
Quarter 5	**expect**	**result**		**Quarter 6**	**expect**	**result**
Gross Profit						
Revenues	23,334,050	21,409,300		Revenues	23,185,000	20,620,000
- Rebates	0	0		- Rebates	0	0
- Cost of Goods Sold	9,355,005	8,458,092		- Cost of Goods Sold	9,614,337	8,404,823
Gross Profit	**13,979,045**	**12,951,208**		**Gross Profit**	**13,570,663**	**12,215,177**
Expenses						
Research and Development	3,711,083	3,711,083		Research and Development	60,000	60,000

+ Advertising	280,266	280,266
+ Sales Force Expense	1,140,147	1,140,147
+ Sales Office and Web Center Expenses	490,000	490,000
+ Marketing Research	15,000	15,000
+ Shipping	192,809	177,001
+ Inventory Holding Cost	6,514	9,589
+ Excess Capacity Cost	0	524125
+ Depreciation	120,833	120,833
+ Web Marketing Expenses	0	0
Total Expenses	**5,956,653**	**6,468,044**
Operating Profit	**8,022,392**	**6,483,164**
Miscellaneous Income and Expenses		
+ Other Income	0	0
- Other Expenses	0	0
Earnings Before Interest and taxes	**8,022,392**	**6,483,164**
+ Interest Income	0	0
- Interest Charges	0	0

+ Advertising	559,998	559,998
+ Sales Force Expense	3,262,022	3,262,022
+ Sales Office and Web Center Expenses	490,000	490,000
+ Marketing Research	15,000	15,000
+ Shipping	190,633	173,441
+ Inventory Holding Cost	12,475	12,230
+ Excess Capacity Cost	1,581,232	2,172,901
+ Depreciation	166,667	166,667
+ Web Marketing Expenses	0	0
Total Expenses	**6,338,027**	**6,912,259**
Operating Profit	**7,232,636**	**5,302,918**
+ Other Income	0	0
- Other Expenses	0	0
Earnings Before Interest and taxes	**7,232,636**	**5,302,918**
+ Interest Income	0	0
- Interest Charges	0	0

Income Before Taxes	**8,022,392**	**6,483,164**	**Income Before Taxes**	**7,232,636**	**5,302,918**
- Loss Carry Forward	0	0	- Loss Carry Forward	0	0
Taxable Income	**8,022,392**	**6,483,164**	**Taxable Income**	**7,232,636**	**5,302,918**
- Income Taxes	3,208,957	2,593,265	- Income Taxes	2,893,055	2,121,167
Net Income	**4,813,435**	**3,889,898**	**Net Income**	**4,339,582**	**3,181,751**
Earnings per Share	**60**	**48**	**Earnings per Share**	**54**	**40**

2. Discuss departures from the business plan, justification, and outcome

3. Review significant events that affected the company and/or market

E. Assess your current situation and the market (What are your firm's strengths and Weaknesses)

Strengths – Our company's strengths are that we take over about 34% market share.

Market Demand

Company	Workhorse	Mercedes	Traveler	Total Demand
Trustearn Computers	2,509	2,005	1,706	**6,220**
TrendSetters	1,758	860	3	**2,621**
Pikainen Tech, Inc.	1,306	2,028	1,030	**4,364**
Computerland	946	23	699	**1,668**
Prestige Computers	8	2,088	1,384	**3,480**
Total	**6,527**	**7,004**	**4,822**	**18,353**

Market Share

Company	Workhorse	Mercedes	Traveler	Total Market Share
Trustearn Computers	38.44%	28.63%	35.38%	**33.89%**
TrendSetters	26.93%	12.28%	0.06%	**14.28%**
Pikainen Tech, Inc.	20.01%	28.95%	21.36%	**23.78%**
Computerland	14.49%	0.33%	14.50%	**9.09%**
Prestige Computers	0.12%	29.81%	28.70%	**18.96%**

Strengths is market performance which is 0.410 (cumulative result)

Market Performance is a measure of how well the managers are able to create demand in their primary and secondary segments. The firm's market share in two target segments is used to measure this demand creation ability. The market share score is adjusted downwards if there were any stock-outs. This penalty for stock-outs is to underscore two points. First, unnecessary resources have been spent to generate more demand than can be satisfied. Second, ill will has been created by having potential customers become frustrated when they do not find the products that they have been persuaded to buy. The score ranges from 0 to 1.0 and will depend upon the number of competitors. If there are 3 firms, a good score would be greater than 0.5. If there are 8 teams, a good score would be greater than 0.35.

Strengths is Human resource management performance which is 0.843 (cumulative result)

Human Resource Management is a measure of how well the executive team is able to recruit the best employees, satisfy their needs, and motivate them to excel. Sales force productivity and factory worker productivity are averaged together to obtain a single score. High performance is only possible if the firm's compensation packages are competitive and in tune with what is important to employees over time. The scores range from zero to 1.00 and a good score would be greater than 0.80.

Weakness is investment in future performance which is 2.302 (cumulative result)

Investment in Future reflects the willingness of the executive team to spend current revenues on future business opportunities. They are necessary but risky. In the short-term, these expenditures can cause large negative profits on the income statement. As a result, the retained earnings may become highly negative, thus indicating that a substantial portion of the stockholder's investment has disappeared into the operations of the firm. In the long-term, these investments are absolutely necessary if the firm is to be competitive. Thus, there is a need to balance the loss of stockholder's equity against investments which could create even greater returns for the investors in the future. The score is always greater or equal to 1.0 and a good score would be greater than 3.0.

Weakness is Asset management performance which is 1.385 (cumulative result)

Asset Management is a measure of the executive team's ability to use the firm's assets to create sales revenue. Asset management is measured by computing the asset turnover of the firm. Effective managers are able to use the assets to create sales which are two or three times the value of the assets. Thus, a very good score would be 3.0

E. Summarise how you have prepared your firm to compete in the future.

F. What were the lessons learned.

– F.1 How did you benfit from participating in the simulation?

-F.2 Are there any lessons that you can take into the business world?

Presentation to the Board, you must also address the answers to the following questions which have been raised by the venture capitalists ...

Questions to Answer in Presentation

How close was your Q5 / Q6 forecast to your actual results?

What is the biggest risk to your business?

What is your Debt:Equity plan going forward?

What type of CEO are you?

I think I am CEO type: People champion

Focus: People and culture

Measure of success: Engagement

Typical traits: Personable; excellent communicator; warm with strong values; fundamental belief in people