



**APC**  
Accounting Practise Center

**CIMA/CGMA**

**Operational Case Study**

**PRESEEN APPLICATION NOTE (DEMO)**

**BackOffice**



**November 2024 - February 2025**

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## Chapter 1 Preseen Summary

### Your role and Company Background:

- **Role:** Your job is to make numbers useful. They should help us make better decisions. Sometimes, you'll put together financial reports.
- **Company:** We make fancy backpacks for people who work from home and the office. People pay more for our backpacks because they're good quality and convenient.
- **Story:** Arlo James, a designer who knows backpacks, started our company. He wanted to make stylish backpacks that were also practical. Hland, where he lives, used to make a lot of textiles, so it was a good place to start.....
- **Risk:** ....

## Mapping with the OCS syllabus:

### **Your Role** – *Relates to Core Activity A: Costing Information*

You are responsible for providing management accounting information, which aligns with preparing costing information for managers. The emphasis on planning and decision-making is connected to understanding costing methods and delivering information for operational use.

#### **Possible areas:**

**Cost allocation issues** – Management may ask for clarification on how overheads are absorbed .....

**Marginal vs Absorption Costing** – .....ofitability.

**New product costing** – With the expansion into new product lines like recycled materials or cycling .....sonableness of such new products or platform.

## Company Background

### **Founding Vision and Local Manufacturing** – *Relates to Core Activity E: Short Term Decision Making*

The decision to manufacture locally in Hland, despite higher costs, is a classic example of short-term decision making. This highlights risk assessment and evaluating trade-offs for operational control.

#### **Possible areas:**

**Local vs outsourced production** – The management may reconsider outsourcing manufacturing to .....omparing cost savings with the loss of brand value.

**Launch of a new** .....ceed with development based on forecasted costs and returns.

**Price-setting decisions** – Management might request an analysis on whether BackOffice can lower prices without harming profit margins or brand image, especially against competitors.

### **High-End Backpacks & Marketing Success** – *Relates to Core Activity B: Budgeting*

Understanding ....

**Sales Growth & Market Trends**

*Relates to Core Activity C: Performance Analysis*

The .....

**Strong Leadership & Decision-Making**

*Relates to Core Activity D: Corporate Governance and Ethics*

The senior management team's effective leadership is an aspect of corporate governance.....

## BackOffice's ethos

- **Mission:** We make the best backpacks. They should be beautiful, useful, strong, and comfortable. Everything we do should follow this.
- **Sustainability:** We care about the planet. Our backpacks are made to last, .....

## Mapping with the OCS syllabus:

### Possible areas:

*Core Activity A: Costing Information*

**Lifecycle** ..... factors like longevity and repairability.

*Core Activity F: Working Capital Management*

**Managing inventory of sustainable materials** – You could be required to manage ..... flow.

.....

## The market for backpacks

- **Growth:** The market for backpacks is getting bigger fast. There's a lot of opportunity for companies like ours. But everyone else sees this too.
- **Focus:** We make backpacks for businesses. It's a small part of the whole .....

## Mapping with the OCS syllabus:

### Possible areas:

*Core Activity C: Performance Analysis*

**Product line** ..... of the global market.

## Extracts from the BackOffice website

### Function meets style:

Our office and EDC backpacks blend beautiful design with smart functionality—perfect for the busy professional who needs their office on the go.

### Crafted to last:

.....



## Senior Management Team (SMT)

### 1. Over-reliance on Founders (Arlo James and Ben Conti)

Arlo and Ben, as co-founders with a shared history, may have a strong influence over key decisions. This could lead to **groupthink** or **resistance to external ideas**.

### 2. Finance Director's Broad Experience but Short Tenure (Hilary Sec)

.....

## Senior Management Team (SMT)

### 1. Lengthy Design and Development Cycle

**Problem:** The design process takes between 6 months to a year, which can delay bringing new products to market, especially in a fast-evolving industry.

**Potential Improvement:** Implementing more agile development methods or .....

## Other information about company operations

### 1. High-Cost Production in Hland

**Problem:** Manufacturing in Hland comes with significantly higher production costs compared to competitors who manufacture in low-cost regions like Asia.

**Potential Improvement: Leverage premium branding** to justify higher prices or explore cost-saving initiatives like automation in the production process to offset higher labor costs.

### 2. Limited Supply Chain Flexibility

**Problem:** BackOffice relies on a single supplier for ballistic nylon and zippers, which .....

## Sales markets and sales channels

### 1. Product:

- **Core products:** High-end office and EDC backpacks known for superior functionality, durability, and stylish design.
- **New products:** A range of backpacks made from recycled water bottles (eco-friendly), backpacks for cyclists (ergonomic and protective), modular Modis packs (customizable), and a cabin bag (complementary travel product).
- **Failed product:** A baby kit backpack that was quickly withdrawn, highlighting the importance of aligning new products with brand identity and conducting thorough market research.

### 2. Price:

- Positioned as a **premium brand**, BackOffice backpacks command higher-than-average prices due to their quality, design, and functionality.
- .....

## Employees

### 1. Employee Distribution:

#### Development and Production (172 employees):

The .....

## Financial

Ratios	2024	2023
ROCE (%)	17.73%	15.25%
Sales Growth (%)	.....	
Gross Profit Margin (%)		
Operating Profit Margin (%)		
Asset Turnover (times)		
Current Ratio (times)		
Quick Ratio (times)		
Receivables Days		
Inventory Days		
Payables Days		
Interest Cover Ratio		
Gearing (%)		

## Budget information for the year ending 30 June 2025

### In general:

- Website sales accounts for 45% of total revenue across all products.
- Retail sales accounts for 55% of total revenue across all products.
- .....accounting for 16%, 41\$, and 43%.

### Office backpacks:

	Uffico	Capsula	Scrivania
Contribution - Website	....		
Ranking			
Contribution - Retailer			
Ranking			

### EDC backpacks:

	Small	Large
Contribution - Website	...	102.33
Ranking		
Contribution - Retailer		
Ranking		

## Standard cost card

### High Direct Labor Costs (H\$48.00/unit):

- Heavy reliance on manual labor (especially sewing) risks increased costs if .....

## Tax regime in Hland

BackOffice should strategically plan its investments and expenses to take full advantage of tax depreciation allowances on plant and equipment. Effective tax .....output tax will ensure that working capital is optimized, helping BackOffice to avoid penalties and improve liquidity.

## Chapter 2 SWOT Analysis

### Strengths:

- Premium brand, quality-focused, stylish backpacks
- .....
- Sustainability focus, aiming for carbon neutrality by 2030

### Weaknesses:

- High production costs due to Hland location
- .....
- Resource strain with multiple product developments

### Opportunities:

- Growing global backpack market, potential to capture more market share
- New products (eco-friendly PET backpacks, cycle, and cabin bags) diversify revenue
- .....

### Threats:

- Strong competition from global and low-cost brands
- Premium pricing may suffer during economic downturns
- .....



## Chapter 3 PEST analysis

.....

## Chapter 4 FIVE Forces Analysis

- .....

## Chapter 5 In summary

BackOffice is a premium backpack brand focused on hybrid workers, with a strong emphasis on quality, design, and sustainability.

The company faces high production costs due to in-house manufacturing in Hland .....