

## Title: Board Room Finance Advanced

*Scenario: Growth*

*Format: Learning Activity*

Green Spokes is a start-up bicycle manufacturing business that has been running for a few years. Please now log into the simulation and look at the BRIEFING tab.

Here you will find an introduction from Claire Jones (CEO), an overview of the company, a MD briefing and various other useful reports.

As a member of the Board, whatever your specific role, it is important that you understand the financial implications of any decisions made.

There are 3 financial reports that the Board of an organization should review, both individually and as a group. These are the Profit and Loss Account, Balance Sheet, and Cash Flow Statement. To develop your understanding of these reports, and the implications for the business, attempt the activity detailed below,



Share your views and reach a common understanding of the key issues. Record your personal key learning points, and any areas where you may be uncertain

If there are some sections of the financial reports on which you are unclear, and you are not a finance student, it is suggested that you review a textbook or on-line resource aimed at “Finance for non-Finance Managers” and you will find details of the 3 key financial reports in the first few chapters.

### TASK:

Open the Growth scenario in SimVenture, study the scenario briefing, and examine the Profit and Loss Account, Balance Sheet, and Cash Flow Statement by accessing History/Quarterly Reports/ - and selecting the required report.

As a Board, discuss the meaning of the reports to ensure that you have a good general understanding of their format and content. Agree on a range of decisions covering all key departments of the business – for example:

- A change in Location
- A change in Borrowing strategy
- A change in Purchasing strategy
- A change in Production strategy
- A new Promotions activity
- A change in Pricing strategy
- A change in R&D resources
- A new Product design

Then, as an individual, examine the reports for Year 2, Quarter 4, and try to predict the monetary values for each heading on the 3 reports at the end of Year 3, Quarter 1, if the quarter is run with the agreed changes being made.

Re-convene as a Board to discuss your forecasts. Reach a common view on the predicted outcomes. Input the decisions, run the quarter, and compare the actual outcomes with the agreed Board forecast. Identify key differences that have arisen.

Discuss as a Board: -

- What are the differences?
- How have any differences arisen?
- What have you learned about the information contained in these key reports and the way that strategic changes have influenced the reported information?
- How can these reports be used to inform Board decisions?

The Board will conduct itself using traditional board room etiquette. Guidance on this may be found on the next page.

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## Board Room Etiquette

The following notes are intended to provide general guidance on handling “Board Room” situations in SimVenture and should be read in conjunction with any specific information that your tutor may provide in terms of documentation requirements or self-reflective work.

1. Make sure that all members of the Board are clearly introduced if they have not previously met, and take a few minutes to get to know each other, including confirming the name that they would prefer to be addressed by.
2. Appoint a "Chair" or "Managing Director" - the title is not important, but the role is. The Chair should not dominate proceedings but should try to ensure that everyone gets a chance to be heard, and they should invite comments from those who have made less contribution.
3. An agenda should be agreed, and the Chair should ensure that each of the main points is discussed.
4. Individual Board members should clearly express their own views, or their own uncertainties, and should also allow all the others the same opportunity.
5. If there are a range of opinions, the Chair should try to arrive at a consensus, but it may be that a vote is required. In the case of a tie, the Chair should have the casting vote. Once a decision has been made, the Board should take responsibility for the decision, but if self-reflective work is required, they can express their own views on the decisions in their own personal submission.
6. It is not usually necessary to note all the details discussed, but for each agenda item, the key points, and the decisions made, should be recorded as an agreed document, which may be required for later submission.