

## Workshop 4: Strategic Management Accounting Case

### Blue Hose Mfg - Solution Notes

#### Customer Perspective

|                              | Basis               | Current period | Previous period | Two periods prior | Three periods prior |
|------------------------------|---------------------|----------------|-----------------|-------------------|---------------------|
| Market share                 | "40" / "41"         | 6.9%           | 8.0%            | 8.0%              | 8.5%                |
| Accounts lost                | "1" / "2"           | 5.6%           | 4.1%            | 2.9%              | 2.9%                |
| Complaints per 100 customers | $100 * ("7" / "2")$ | 16.9           | 10.9            | 10.0              | 8.8                 |
| Complaints to inquiries      | "7" / "8"           | 50%            | 35%             | 32%               | 25%                 |
| Customer satisfaction        | $100 - "7" / "2"$   | 83.1%          | 89.1%           | 90.0%             | 91.2%               |
| Lost sales                   | "39" / "40"         | 12.3%          | 12.0%           | 12.0%             | 11.2%               |
|                              |                     |                |                 |                   |                     |

#### Financial Perspective

|                  | Basis                   | Current period | Previous period | Two periods prior | Three periods prior |
|------------------|-------------------------|----------------|-----------------|-------------------|---------------------|
| Revenue growth   |                         | 7.8%           | 8.0%            | -7.0%             | N/A                 |
| Gross profit     | $(("40" - "4") / "40")$ | 30.0%          | 32.0%           | 31.0%             | 33.0%               |
| Stock turnover   | "4" / "16"              | 10.2           | 8.2             | 8.6               | 9.0                 |
| Asset turnover   | "40" / "3"              | 3.67           | 3.00            | 3.11              | 3.36                |
| Return on assets | "26" / "3"              | 1.10%          | 2.10%           | 4.04%             | 4.37%               |
| Debt ratio       | "10" / "3"              | 32%            | 25%             | 24%               | 22%                 |
| Net profit       | "26" / "40"             | 0.30%          | 0.70%           | 1.30%             | 1.30%               |

### Internal Business Perspective

|                               | Basis                 | Current period | Previous period | Two periods prior | Three periods prior |
|-------------------------------|-----------------------|----------------|-----------------|-------------------|---------------------|
| Orders on time                | "34" / "32"           | 722%           | 74.2%           | 77.4%             | 67.9%               |
| Orders shipped complete       | "33" / "32"           | 100.0%         | 100.0%          | 96.8%             | 7.1%                |
| Machine downtime              | "19" / "21"           | 17.0%          | 19.2%           | 12.0%             | 10.0%               |
| Inspection tail rate          | "17" / "18"           | 6.7%           | 6.0%            | 4.0%              | 3.1%                |
| New product sales rate        | "38" / "40"           | 12%            | 11%             | 10%               | 10%                 |
| Detectives per 1000 yards     | "49" 1<br>("50"/1000) | 30             | 50              | 60                | 90                  |
| Orders cycled on time         | "28" / "27"           | 81%            | 73%             | 84%               | 60%                 |
| Yarn usage over standard      | "12" / "13"           | 105.0%         | 104.6%          | 104.2%            | 104.0%              |
| Off-quality production to COS | "5" / "4"             | 7.5%           | 5.8%            | 5.2%              | 3.2%                |
| Average set-up time - minutes | "20" / "42"           | 240            | 224             | 200               | 180                 |

### Innovation & learning Perspective

|                               | Basis       | Current period | Previous period | Two periods prior | Three periods prior |
|-------------------------------|-------------|----------------|-----------------|-------------------|---------------------|
| Training costs per employee   | "46" / "24" | \$601          | \$732           | \$871             | \$845               |
| Training costs to total costs | "46"/"6"    | 3.0%           | 3.6%            | 4.2%              | 3.8%                |
| New sales to total            | "38" / "40" | 12%            | 11%             | 10%               | 10%                 |
| Employee growth               |             | 8.7%           | 5.8%            | 0.0%              | N/A                 |
| Average set-up time - minutes | "20" / "42" | 240            | 224             | 200               | 180                 |