



Special Funds

Your CEO has announced that there is €400,000 left to be allocated from the Special Funds, for use by the company in the coming financial year. Politically, proposals for using this money must be presented promptly; otherwise the departmental allocation may be changed.

Staff have been working on proposals for some time, and each department has put forward ONE major project that that they would like to be funded.

You are part of the small group that must decide best allocation of the €400,000.

Attached is a sheet giving some background financial information about the Company.

Here are the proposed projects...

The Head of Safety Services wants to undertake a major 'hazard elimination' exercise which will cost €300,000 and will include both alterations to plant and building, and a publicity campaign within the company. Although the firm's safety record is about average for the industry, the nature of the operation means that there is a 50 per cent probability of at least one death or serious injury a year.

The Head of HR wishes to increase their budget by €250,000 so that the department can provide a much improved service for recruitment, development and counselling, and related activities. Although the firm's management salaries are about average for the industry and the community, 30 fairly senior people left last year. Many of those who left said that they were dissatisfied and resigned because of the inadequate salaries and career progression. Surveys suggest that quite a few may have resigned because of their own shortcomings as managers and their inability to deal with their managers and subordinates.

The Head of Product Development wants to undertake research and development in order to modify and improve a product which was first introduced last year; this work will cost the organisation €275,000. A special advertising launch led to about €500 000 of sales last year, but these were followed by complaints about poor product quality and serviceability and, consequently, few customers re-ordered. If the product is not improved, further advertising will be required to attract new customers each year.

The Head of Environmental Services wants to undertake a major plant modification which will cost €320,000 and will eliminate several sources of pollution. Although the company's legal advisers are confident that it will take several years to force the company to comply with 'clean air' regulations, there are regular costs involved both in defending court actions brought by aggrieved neighbours and in settling claims for pollution damage.



Special Funds – Company Information for the year just ended

	€	€
Sales		36,100,000
Expenses:		
Cost of raw materials and processes	€19,137,000	
Salaries, wages and benefit	8,283,000	
Cost of depreciation of plants and equipment	2,917,000	
Cost of research and development	1,250,000	
Public relations	33,000	
Advertising costs	2,833,000	
Interest on borrowed money	1,133,000	
Cost of training and safety	600,000	
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Total expenses		36,186,000
	Net loss	<hr/> <u>(86,000)</u>

- 200 salaried personnel
- 1000 wage earning employees
- 30 avoidable resignations: salaried
- 97 avoidable resignations: wage earners
- 2189 days lost due to voluntary work stoppages
- 6178 days lost due to absences
- 87 days lost due to accidents
- 168 minor conflicts, most of which were settled at the local level
- 12% increase over preceding three-year average of new product sales as a result of products introduced during the year just ended
- 8% increase in new customers
- 15% increase in customer complaints
- 23% share of market

The net profit (loss) and sales for the previous five years were:



	Net Profits	Sales
	€	€
Year 5	141,000	24,000,000
Year 4	(-113,000)	25,000,000
Year 3	304,000	26,000,000
Year 2	306,000	31,000,000
Last year	321,000	34,000,000