

## ***CASE STUDY 1***

## **Introduction to accounting**

Mark is 19 years old and has been working for the past year in a local biscuit making factory. He began as a casual labourer packing boxes but has slowly increased his standing with the company and is expecting news of a possible promotion to full time work. Mark finished his final year of high school just before he began his current job and had been offered a position at University in his preferred field of marketing. Mark would like to position himself so that he has as much flexibility to develop his future career within the broad fields of marketing, promotions and public relations. He decided that he needs a break from study and wanted to earn some money, so he deferred his university offer for a year. The year has now expired and Mark must make some decisions about what he plans to do in the future. At present Mark is still living at home and so has very few expenses, as such he able to survive on the \$20,000 per annum he is currently earning. His current position also allows him to continue in his role as manager of his friends' band which enables him to indulge in his love of Public Relations (PR) and marketing. Mark has been with the group since its inception 4 years ago and while he can't see it ever making him rich it is something he enjoys doing very much.

The promotion at Mark's work will see his annual income jump to \$30,000 per annum for 2 years and then to \$36,000 for the following 3 years. Mark has decided he is just about ready to leave home and this boost in funds will be sufficient for him to begin renting a flat close to work and look at investing in a small car to get around in. Should Mark take this course he has been informed that within 5 years he will be earning \$48,000 p.a. managing a section of the factory, however, once he reaches that level there is no guarantee of promotion as there is a glut of middle level managers within the company at present. This option will also mean Mark must give up his place at University with a very limited chance of getting back into the course.

Mark's other major path would mean taking up his place at University. Mark is determined to keep working with his friend's band "just in case". Depending on the demand for him in his casual position he could possibly earn up to \$14,000 a year and still have sufficient time to study. This means that Mark will have to remain at home for at least the next three years while he completes his degree. If Mark successfully graduates after three years there is a strong chance he could return to the factory, where he has made a number of good contacts, as part of the marketing department. The starting salary for this position is \$40,000 and is fixed for two years. At the end of the two years, provided Marks performance appraisals have been above average, he will slot into a position as a senior member of the marketing team with a \$56,000 salary and use of a company car. There is the potential for further promotions both within the company and externally for appropriately qualified marketing managers beyond this level.

Mark has weighed up the various options available to him and decided that his best option is to decline the promotion and take up his position at the University.

### **RESPONSES REQUIRED**

1. Arrange the information provided above into the manner required by the decision making model described in this topic's study materials to show how and why Mark came to his decision to go to University (for calculation purposes, **assume an outlook of 6 years** from the time of enrolment and no inflation).
2. The company seems to place great importance on having an appropriate tertiary qualification. Explain what qualities the company could expect from a graduate of UniSA and how these would be beneficial to both Mark and the company in the long term.
3. Mark has gathered the financial information to assist him to make a decision. Another function of gathering and presenting financial information is to discharge accountability. What does it mean to be accountable to someone? Do you feel that it might be appropriate for Mark to offer the same or similar information to anyone else for the purposes of discharge of accountability? If so, to whom?