



**Level 4 Professional Accounting Technician End Point Assessment  
Role Simulation 2020 / 2021 - Pre-seen material**



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## Introduction

JUICE-C is a privately-owned company, based in the country of Essland which is in Western Europe. Essland uses the E\$ as its currency. JUICE-C develops and produces juice-based drinks and distributes them throughout Essland and to other countries in Western Europe.

JUICE-C owns one large site in the centre of Essland which incorporates its head office, its production facility and a distribution centre. It also has a distribution centre in Northern Essland and owns two further distribution warehouses in other countries in Western Europe.

The company's latest financial statements for 31 December 2019 show revenue of E\$275.2 million, an increase of 5.7% from the previous year. Profit before tax was E\$13.6 million an increase of 11.2%.

JUICE-C has 245 employees, 97 in Production, 35 in Sales and Marketing, 55 in Distribution and 58 in Administration.

JUICE-C was founded in 2000 by three university graduates, Will Schmidt, Joshua Avery and Oscar Volk, who are currently directors of the company. Their main aim was to produce healthy juice drinks made solely from fruit juice and without the addition of preservatives, other artificial ingredients or flavourings. The company started out producing and selling juice smoothies containing only pureed fruit and sometimes vegetables. The product range has subsequently been expanded to include fruit juice, fruit flavoured mineral water and coconut water.

JUICE-C uses the highest quality fruit and has stringent supply agreements in place with its suppliers to ensure that they maintain the required quality standards. Quality is an ethos in the company and all employees are well trained to ensure the final products meet the highest quality standard.

JUICE-C has a strong corporate and social responsibility record. The company takes full responsibility for the impact of its products on society and the environment and aims to move from a negative to a neutral and eventually to a positive impact. Its current sustainability practices include the following:

- All of the bottles used for its drinks are recyclable.
- All of the fruit used in its products are, where possible, from certified farms which ensure sustainability of their products and fair treatment of their farm workers.
- It ensures that every part of its supply chain meets its high sustainability targets including the reduction in carbon emission, the use of renewable energy and the conservation of water.

## Your role

You are a Finance Assistant working in the Finance Department on an apprenticeship scheme. In order to give you a broad range of experience, you work alongside different members of the Finance Department on a variety of tasks.

## Webpage from JUICE-C.com

### What is fruit juice?

Fruit juice is 100% pure juice made from the flesh of fresh fruit or from whole fruit, depending on the type used. It is not permitted to add sugars, sweeteners, preservatives, flavourings or colourings to fruit juice.

Fruit juices are usually described as:

- From concentrate
- Not from concentrate
- Freshly squeezed

#### Fruit juice from concentrate

Juice is extracted from the fruit in the country of origin and the water content is reduced, by evaporating off the water naturally present. The concentrated juice is usually frozen and shipped to the country of use. The fruit juice is then reconstituted, by adding back the water, before it is packaged.

#### Not from concentrate juice

Juice is extracted from the fruit in the country of origin and then lightly pasteurised and transported, either frozen or chilled, to the country where it will be packed.




#### Freshly squeezed juice

Juice is extracted from the fruit and used immediately.

**At JUICE-C all our products are made from freshly squeezed juice!**

## Webpage from JUICE-C.com

### Our products

	<h4>Our Smoothies</h4> <p>Our fruit Smoothies are made from 100% fruit with no added sugar, preservatives or artificial flavouring.</p> <p>If you want a bit of a boost then go for one of our super Smoothies - a healthy blend of fruit, vegetables, botanicals and crushed flax seeds, with added vitamins.</p>
<h4>Our fruit juices</h4> <p>It's all pure JUICE!</p> <p>We pick the juiciest fruit and squeeze them to make the tastiest juice.</p>	
	<h4>Our Flavoured Water</h4> <p>We take the finest spring water and add our blend of fruit juice made from the freshest handpicked fruits.</p>

## Our Coconut Water

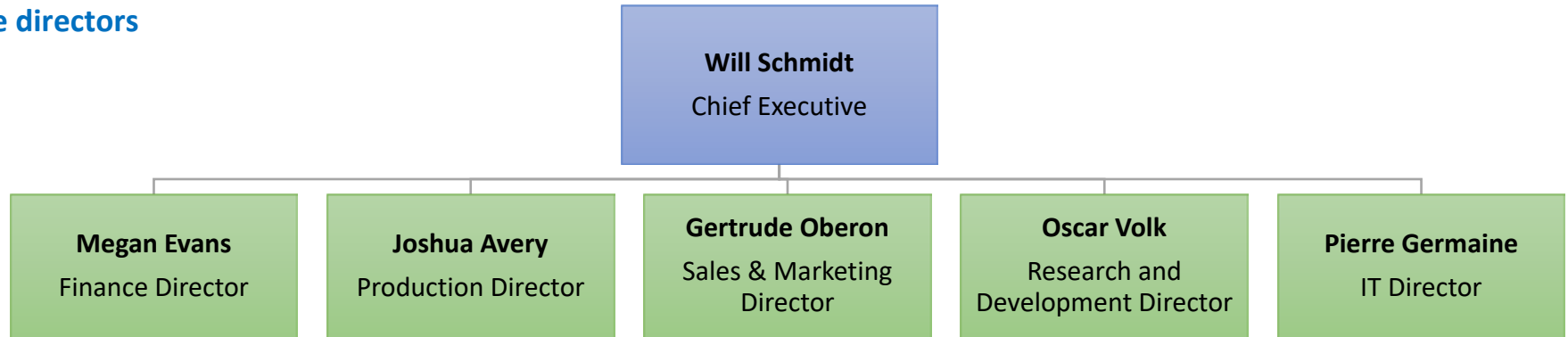
We just crack open a few coconuts!

No added concentrates, sweeteners or anything else whatsoever.

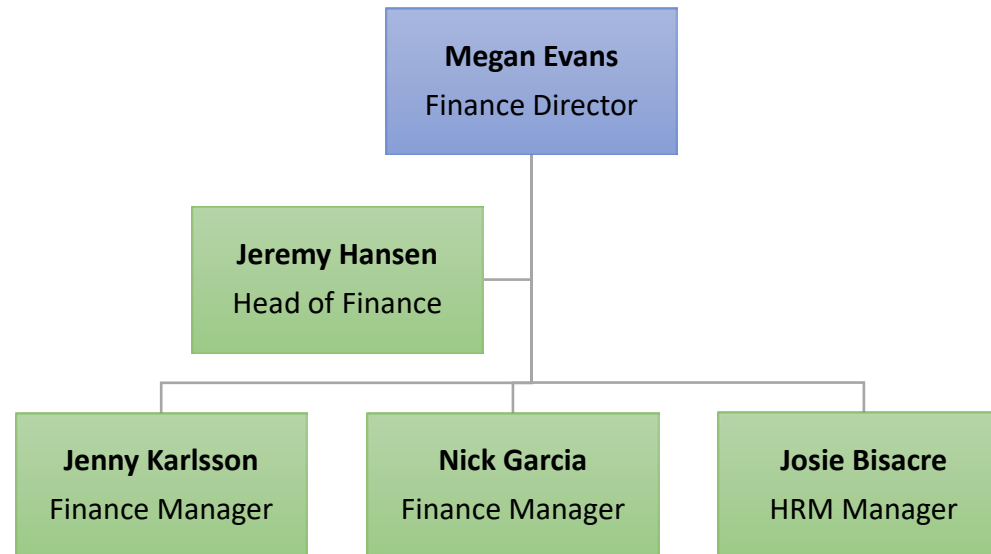


## Organisation charts

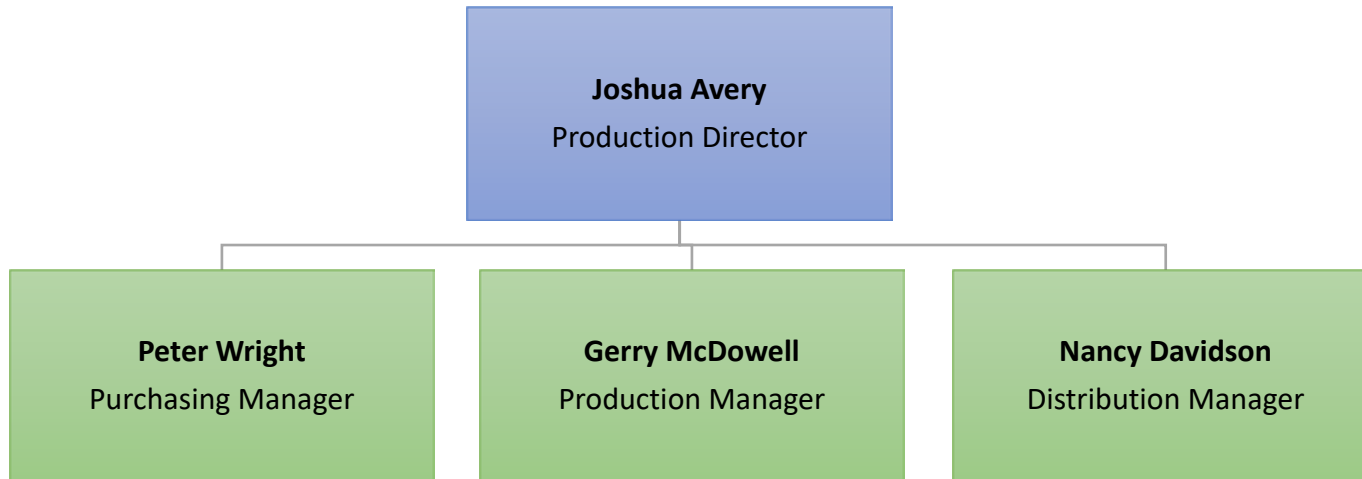
### The directors



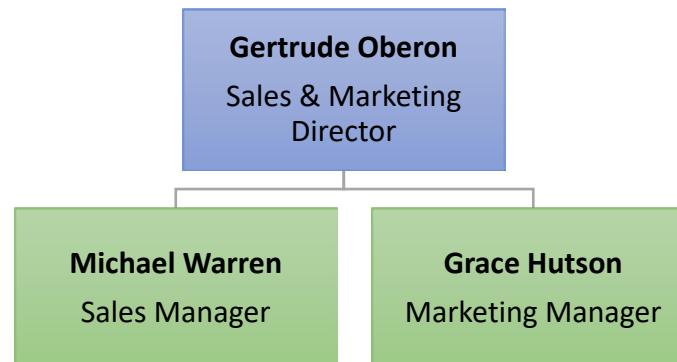
### Finance



## Production



## Sales & Marketing





## The directors



Will Schmidt, Chief Executive

Will was one of the founders of the company. Graduating from university with a business degree he has been the driving force behind the company's expansion.



Joshua Avery, Production Director

Joshua is also one of the founders. He graduated from university with an engineering degree. Together with Oscar Volk, he has developed the company's product range. Joshua has been responsible for the investment in new digital production technologies.



Gertrude Oberon, Sales & Marketing Director

Gertrude worked as a marketing executive for a food retailing company before joining JUICE-C in 2010. Her experience in the retailing side of the industry is invaluable for the company.



Oscar Volk, Research and Development Director

Oscar graduated from university with a Chemistry degree and together with Will and Joshua founded JUICE-C not long after graduating. Oscar is keen to expand the company further and is constantly looking at other potential new products and flavours.



Pierre Germaine, IT Director

Pierre originally joined the company as an IT technician on an apprenticeship scheme. He has rapidly risen through the ranks to the position of IT Director. He is keen to ensure that the company's systems are as efficient and effective as possible and that both himself and his staff are well versed in new IT technologies.



Megan Evans, Finance Director

Megan is a CIMA qualified accountant and is known throughout the company for being a tough negotiator and keeping a tight rein on the company's finances. Megan also has responsibility for human resource management (HRM).

## Webpage from JUICE-C.com

### How we make our Smoothies

**We take the finest fruit and vegetables and maybe add some botanicals and vitamins.**



**We blend them all together in our super-duper blending machine and then, once they are all blended together, we transfer the blend to our bottling plant.**

**We label and package the bottles and then transfer them to our warehouse awaiting delivery to our retailers.**



## Other information about the business

### Sales and Marketing

JUICE-C's products are sold to supermarkets, small grocers, coffee shops and various other specialist food outlets. Over the years, the company has built strong relationships with its customers, particularly with the larger supermarkets. However, in common with other food producing companies, the company has struggled to maintain margins, due to pressure from the supermarkets to keep prices low. By far the largest sales volumes are to supermarkets, however, sales to coffee shops have been growing rapidly over the past few years. In this market segment, sales are dominated by the 250ml bottle size which provides JUICE-C with significantly higher margins than the larger bottle sizes.

JUICE-C's sales are mainly in Essland (72%) with the remaining sales (28%) being made in a number of other countries throughout Western Europe. JUICE-C branded products have the 3<sup>rd</sup> largest market share in Essland by volume, with the 1<sup>st</sup>, 2<sup>nd</sup> and 4<sup>th</sup> positions being held by major supermarket own-brand products.

The company markets its products as a healthy alternative to carbonated soft drinks. This has however been criticised by the health lobby on the basis of recent surveys which show that fruit juices contain more sugar than well-known carbonated soft drinks. JUICE-C's marketing team argue that, whilst the natural sugar content in fresh fruit is high, the health benefits of drinking pure fruit juice without added preservatives and artificial flavouring are significant and outweigh the concerns over sugar content.

Marketing is mainly through sales promotions with its retailer customers e.g. product discounts and buy one get one free (BOGOF) offers. The biggest challenge facing the company is to ensure that the products get the best in-store positions.

The only direct marketing to consumers is via the company website which tells the story of the company visually. At the click of a button consumers can discover all about the company's products, their ingredients, the flavours available and where to buy the products.

### Production

All of JUICE-C's products are produced at its single production facility in Central Essland. At present, JUICE-C only produces its own branded products and does not produce products for other companies. The Essland factory is state-of-the-art using the most up-to-date production, bottling and packaging machinery.

JUICE-C's products are all made from freshly squeezed fruit and vegetables. The products are packaged in plastic bottles which are 100% recyclable. The bottles used for its Smoothies are made from 50% recycled plastic and 15% plant plastic. The company aims to produce a bottle made from 100% recycled material by 2025.

As well as being one of Essland's No.1 brands, the company is also renowned as one of the "greenest" companies in the country, utilising wind energy and solar power to drive operations at

the production facility. One of the company's goals is to be self-sufficient in renewable energy by 2025.

As with other food producers, the potential for contamination of products is an ever-present concern. The company has mitigated this risk by ensuring that the cleaning of the production facilities is carried out to a high standard. Health and safety are a top priority and staff are highly trained in these areas.

### **Procurement**

The company's main purchases are fruit and vegetables. JUICE-C uses the highest quality produce and has stringent supply agreements in place with its suppliers to ensure they maintain the required quality standards. JUICE-C has worked with the same suppliers for a number of years and has built strong relationships with many of them.

The company also ensures that every part of its supply chain meets its high sustainability targets including reducing carbon emissions, the use of renewable energy and the conservation of water.

### **Research and Development**

Research and development are a major focus for the company as it strives to develop new products and ingredient combinations. The primary purpose is to drive forward the development of an idea through to the product testing stage. Tasting sessions of potential new company products are held regularly. A potential new product will not continue to production unless there is a unanimous positive vote from the tasting group.

### **Distribution**

JUICE-C has two main distribution centres in Essland. One is located close to the Essland factory and includes warehousing for both raw materials and finished products. The other, which is in Northern Essland, handles only finished products. The finished products are delivered to retailers within Essland using JUICE-C's own delivery fleet. Distribution to other European countries is achieved using a number of shipping agents. The shipping agents ship the finished products to two JUICE-C-owned warehouses in Wyeland and Zedland, Western Europe, for onward delivery to retailers throughout Western Europe.

### **Finance**

The Finance Department is based at Head Office and is headed by Megan Evans, Finance Director who oversees finance matters across the whole business. Megan is assisted by Jeremy Hansen, Head of Finance, who deals with the Head Office budget, raising and managing finance, property issues and the preparation of the financial statements.

There are two Finance Managers. Jenny Karlsson is responsible for finance matters affecting the production facility including the preparation of production budgets, monthly variance reporting, assisting with production related decision making and payment of suppliers and staff. Nick Garcia is responsible for finance matters affecting sales, marketing and distribution including preparation of sales, marketing and distribution budgets, monthly variance reporting and assisting the sales, marketing and distribution managers with decision making.

## JUICE-C financial statements for the year ended 31 December 2019

### Statement of profit or loss for the year ended 31 December

	<b>2019</b> <b>E\$000</b>	<b>2018</b> <b>E\$000</b>
Revenue	275,215	260,461
Cost of sales	(217,190)	(206,431)
<b>Gross profit</b>	<b>58,025</b>	<b>54,030</b>
Selling and distribution costs	(35,567)	(35,174)
Administrative expenses	(8,689)	(6,289)
<b>Operating profit</b>	<b>13,769</b>	<b>12,567</b>
Finance cost	(184)	(348)
<b>Profit before tax</b>	<b>13,585</b>	<b>12,219</b>
Income tax expense	(1,428)	(1,259)
<b>Profit for the year</b>	<b>12,157</b>	<b>10,960</b>

### Statement of financial position at 31 December

	<b>2019</b> <b>E\$000</b>	<b>2019</b> <b>E\$000</b>	<b>2018</b> <b>E\$000</b>	<b>2018</b> <b>E\$000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	792		794	
Property, plant and equipment*	8,585		7,350	
		9,377		8,144
<b>Current assets</b>				
Inventories	27,977		24,947	
Trade and other receivables	43,088		36,431	
Cash and cash equivalents	2,801		6,189	
		73,866		67,567
<b>Total assets</b>		<b>83,243</b>		<b>75,711</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital (E\$1 equity shares)		400		400
Share premium		997		997
Retained earnings		42,200		30,043
<b>Total equity</b>		43,597		31,440
<b>Non-current liabilities</b>				
Bank loan		3,200		4,800
<b>Current liabilities</b>				
Trade and other payables	35,018		38,212	
Tax payable	1,428		1,259	
		36,446		39,471
<b>Total equity and liabilities</b>		<b>83,243</b>		<b>75,711</b>

\*Property, plant and equipment is depreciated over its useful life. Depreciation is charged in the year of acquisition and in the year of disposal on a pro-rata basis.

## Statement of cash flows for the year ended 31 December 2019

	E\$000	E\$000
<b>Cash flows from operating activities</b>		
Profit before tax		13,585
<b>Adjustments</b>		
Amortisation on intangible assets	275	
Depreciation on tangible assets	2,816	
Loss on sale of tangible assets	138	
Finance cost	184	
		3,413
<b>Movements in working capital</b>		
Increase in inventories	(3,030)	
Increase in trade and other receivables	(6,657)	
Decrease in trade and other payables	(3,194)	
		(12,881)
<b>Cash generated from operations</b>		4,117
Tax paid	(1,259)	
Interest paid	(184)	
		(1,443)
<b>Net cash inflow from operating activities</b>		2,674
<b>Cash flows from investing activities</b>		
Purchase of intangibles	(273)	
Purchase of property, plant and equipment	(4,209)	
Proceeds from disposal of tangibles	20	
<b>Net cash outflow from investing activities</b>		(4,462)
<b>Cash flows from financing activities</b>		
Loan repayment	(1,600)	
<b>Net cash outflow from financing activities</b>		(1,600)
<b>Net decrease in cash and cash equivalents</b>		<b>(3,388)</b>
Cash and cash equivalents at the start of the year		6,189
<b>Cash and cash equivalents at the end of the year</b>		<b>2,801</b>

## Statement of changes in equity for the year ended 31 December 2019

	Share capital E\$000	Share premium E\$000	Retained earnings E\$000	Total E\$000
Balance at 1 January 2019	400	997	30,043	31,440
Profit for the year			12,157	12,157
<b>Balance at 31 December 2019</b>	<b>400</b>	<b>997</b>	<b>42,200</b>	<b>43,597</b>

## Staff numbers note

	At 31 December 2019	At 31 December 2018
Production	97	92
Sales and marketing	35	32
Distribution	55	52
Administration	58	56
<b>Total</b>	<b>245</b>	<b>232</b>

## Budget information for the year ending 31 December 2020

### Budgeted sales

	Smoothies			
Bottle size	250ml	360ml	750ml	Total
Average selling price per bottle (E\$)	0.75	0.95	1.50	
Sales volume (000)	43,680	20,160	75,600	
Revenue (E\$000)	32,760	19,152	113,400	165,312

	Fruit Juice			
Bottle size	250ml	900ml	1.35 litres	Total
Average selling price per bottle (E\$)	0.62	1.25	1.75	
Sales volume (000)	16,800	21,000	29,400	
Revenue (E\$000)	10,416	26,250	51,450	88,116

	Flavoured Water		
Bottle size	500ml	1 litre	Total
Average selling price per bottle (E\$)	0.58	0.96	
Sales volume (000)	11,760	16,800	
Revenue (E\$000)	6,821	16,128	22,949

	Coconut Water		
Bottle size	500ml	1 litre	Total
Average selling price per bottle (E\$)	1.04	1.54	
Sales volume (000)	2,184	6,720	
Revenue (E\$000)	2,271	10,349	12,620



### Total budgeted gross profit by product group

	Smoothies	Fruit Juice	Flavoured Water	Coconut Water	Total
	E\$000	E\$000	E\$000	E\$000	E\$000
Revenue	165,312	88,116	22,949	12,620	288,997
Cost of sales	(129,273)	(70,325)	(18,598)	(9,374)	(227,570)
<b>Gross profit</b>	<b>36,039</b>	<b>17,791</b>	<b>4,351</b>	<b>3,246</b>	<b>61,427</b>

### Total budgeted contribution and gross profit by product group

	Smoothies	Fruit Juice	Flavoured Water	Coconut Water
	E\$000	E\$000	E\$000	E\$000
Revenue	165,312	88,116	22,949	12,620
Direct material cost	(120,288)	(62,790)	(15,876)	(8,437)
Direct labour cost	(2,246)	(1,884)	(681)	(234)
Variable production overhead*	(1,685)	(1,413)	(510)	(176)
<b>Contribution</b>	<b>41,093</b>	<b>22,029</b>	<b>5,882</b>	<b>3,773</b>
Fixed production overhead*	(5,054)	(4,238)	(1,531)	(527)
<b>Gross profit</b>	<b>36,039</b>	<b>17,791</b>	<b>4,351</b>	<b>3,246</b>
Contribution / sales ratio	24.9%	25.0%	25.6%	29.9%
Gross profit margin	21.8%	20.2%	19.0%	25.7%

\* Fixed and variable production overheads are absorbed using a direct labour hour absorption rate.

## Average budgeted gross profit by bottle size

	Smoothies		
	250ml	360ml	750ml
Per 1,000 bottles	E\$	E\$	E\$
Selling price	750.00	950.00	1,500.00
Direct material cost	(400.00)	(600.00)	(1,200.00)
Direct labour cost	(7.50)	(10.80)	(22.50)
Variable production overhead	(5.63)	(8.10)	(16.88)
Fixed production overhead	(16.87)	(24.30)	(50.62)
<b>Gross profit</b>	<b>320.00</b>	<b>306.80</b>	<b>210.00</b>
Gross profit margin	42.7%	32.3%	14.0%

	Fruit Juice		
	250ml	900ml	1.35 litres
Per 1,000 bottles	E\$	E\$	E\$
Selling price	620.00	1,250.00	1,750.00
Direct material cost	(250.00)	(900.00)	(1,350.00)
Direct labour cost	(7.50)	(27.00)	(40.50)
Variable production overhead	(5.63)	(20.25)	(30.38)
Fixed production overhead	(16.87)	(60.75)	(91.12)
<b>Gross profit</b>	<b>340.00</b>	<b>242.00</b>	<b>238.00</b>
Gross profit margin	54.8%	19.4%	13.6%

	Flavoured Water		Coconut Water	
	500ml	1 litre	500ml	1 litre
Per 1,000 bottles	E\$	E\$	E\$	E\$
Selling price	580.00	960.00	1,040.00	1,540.00
Direct material cost	(350.00)	(700.00)	(540.00)	(1,080.00)
Direct labour cost	(15.00)	(30.00)	(15.00)	(30.00)
Variable production overhead	(11.25)	(22.50)	(11.25)	(22.50)
Fixed production overhead	(33.75)	(67.50)	(33.75)	(67.50)
<b>Gross profit</b>	<b>170.00</b>	<b>140.00</b>	<b>440.00</b>	<b>340.00</b>
Gross profit margin	29.3%	14.6%	42.3%	22.1%

## Example standard cost card

<b>Strawberry Smoothie 1,000 x 750ml bottles</b>				
	<b>Quantity</b>	<b>Standard price / rate</b>	<b>Standard cost</b>	<b>Standard cost</b>
		<b>E\$</b>	<b>E\$</b>	<b>E\$</b>
<b>Materials:</b>				
Strawberries	165 kg	2.80	462.00	
Bananas	280 kg	0.60	168.00	
Apples	300 kg	0.80	240.00	
Oranges	40 kg	1.00	40.00	
Grapes	200 kg	1.30	260.00	
Packaging			30.00	
<b>Total material cost</b>				<b>1,200.00</b>
<b>Direct labour:</b>				
Blending	0.4 hours	25	10.00	
Bottling	0.3 hours	25	7.50	
Packaging	0.2 hours	25	5.00	
<b>Total direct labour cost</b>				<b>22.50</b>
Variable production overhead	0.9 hours	18.75	16.875	
Fixed production overhead	0.9 hours	56.25	50.625	
<b>Total production overhead cost</b>				<b>67.50</b>
<b>Total production cost</b>				<b>1,290.00</b>

## Information on the industry

### The juice market in Western Europe

In 2019, just over 5.9 billion litres of fruit juice (100% juice content) and 3.1 billion litres of nectars (25%–99% fruit content) were sold in Western Europe. The total sales were split 61% branded products and 39% own label products.

The fruit juice market has experienced a steady decline over the past few years however certain segments of the market are performing well compared to other segments. Not-from-concentrate juices, including freshly squeezed juices, and chilled juices have shown volume growth. In comparison, from-concentrate juices and ambient juices (long-life juices not requiring chilling) have shown a decline in volumes.

Due to the growing focus on the health risks of a high-sugar diet, there continues to be increasing regulatory pressure on soft drinks producers to reduce the amount of sugar in their products. Health-conscious consumers are proactively seeking to reduce their overall sugar intake, driving the rising demand for drinks without added sugar. The natural sweetness of fruit juice has also come under the microscope due to consumer concerns about fruit's natural fructose content. Vegetable ingredients present an ideal, natural solution providing a low-sugar, low-calorie option, while boosting the drink's nutritional profile. The introduction of the "super smoothie" which is a healthy blend of fruit, vegetables, botanicals and crushed seeds, with added vitamins, has proved to be a market winner.

Juice brands are looking to entice their consumers with new and unusual flavours and ingredients. Some brands are attempting to highlight a specific region or country in their products. To justify their claims of offering distinguished flavours, they have formulated products that mimic the commonly available tastes at particular holiday destinations. Alternatively, they are focusing on sourcing fruits and other ingredients from specific regions. Blended products such as smoothies lend themselves to incorporate unusual ingredients and flavours. One brand recently released a Pear & Mango Super Smoothie that incorporates spirulina, an algae "superfood" usually found in Africa and the Americas.

### Future outlook

The juice industry is facing a challenging time however the downward figures also include a clear change in market direction. While the performance of discount juices is dropping and mainstream products are stable, the premium chilled category is booming with an average of 10% growth. This move towards premiumisation means that producers will need to use the highest quality fruit and vegetables, and all-natural ingredients without artificial colourings, preservatives or flavourings.

As consumers become more sophisticated in their choices, they are looking for products which have had minimal processing. Minimal processing is perceived as imparting a fresher taste, texture and colour, while retaining as many nutrients as possible. Minimally processed products represent the closest modern equivalent to freshly made, handcrafted juices and smoothies.

As healthy nutrition continues to drive the food and drink industry, other trends are having an important effect too. Modern consumers are aware of the impact of food production on the

world's resources and that the future of human nutrition depends on the long-term availability of safe, nutritious, high-quality fruits and vegetables. Sustainable farming practices are vital to ensuring this and producers' sustainability practices are becoming an increasingly important differentiator for consumers.