COVER PAGE AND DECLARATION

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Introduction

Financial management is those rules that enable you to find the best possible ways, to get the highest financial profit, where you support production, market goods, and provide you with financing all tasks that take place within the company. The financial department is also responsible for monitoring the movement of funds, calculating the profit rate, knowing the amounts received and issued, and calculating the profit and loss ratio. The more successful the financial management, the healthier the financial decisions made, and the more successful the company's mission is. Financial management plays an important role in helping the organization grow and improve the organization's performance

Subway is a privately held American fast food eatery establishment that principally offers submarine sandwiches (subs) and servings of mixed greens. It is claimed and worked by Doctor's Associates Inc. Subway is one of the quickest developing establishments on the planet with over 44,882 branches in 112 nations and domains as of December 27 2016. The United States alone has 26,646 outlets it is the biggest single-brand food chain and the biggest eatery administrator on the planet. Subway's universal home office is in Milford, Connecticut; five regional centers bolster Subway's global operations. The territorial workplaces for European establishments are situated in Amsterdam (Netherlands), the Australian, and New Zealand areas are upheld from Brisbane (Australia); the Asian areas are bolstered from workplaces in Beirut (Lebanon) and Singapore, and the Latin American bolster focus is in Miami.

1. **Create a performance evaluation by analyzing the following performance measures:**

1. A) Profitability

Entrepreneurs can likewise utilize management accounting to expand their company's financial returns. Management accountants can predict monetary estimates identifying with consumer demands, potential sales or the impact of customer value differences in the economic marketplace. Entrepreneurs will regularly utilize this data to guarantee they can deliver enough products or services to take care of customer demand at current costs. Organizations likewise give careful consideration to the measure of rivalry in the financial economic center. Rivalry can diminish the company's financial returns from business operations.

Subway can also use management accounting systems in order to increase their financial returns. This is because the management accountants of Subway are able to predict financial estimates that are used to identify the demands of customers and potential sales in the market, these results in Subway having an increase of their financial returns.

In conclusion, it is essential for Subway to apply different types of management accounting systems as it assists them in evaluating their financial status and so much more. There are a lot of benefits when using management accounting systems and might as well be the cause for overcoming financial struggles and ensuring the company's success.

Funds Flow Statement

The funds flow statement is the prior version of the statement of cash flows that is currently required to report changes in an enterprise's cash flow amid an accounting period. The funds flow statement was required under the Generally Accepted Accounting Principles from the year 1971 through 1987. The funds flow statement essentially detailed changes in an entity's net working capital position between the start
and end of an accounting period. Net working capital is an entity's current assets minus the current liabilities.

Cash Flow Statement

The cash flow statement is one of the fundamental financial statements of an organization. The cash flow statement basically reports the money produced and utilized amid the time interval indicated in its heading. The timeframe that the statement covers is picked by the organization.

The cash flow statement sorts out and reports the trade produced and utilized in the operating, investing, financing activities, as well as the supplemental information.

This form of financial statement is incredibly important for organizations to analyze and evaluate, Subway must be able to carefully analyze their cash flow statement because it shows the inflow and outflow of the company's cash it also illustrates the operating, investing, and financing activities of Subway.

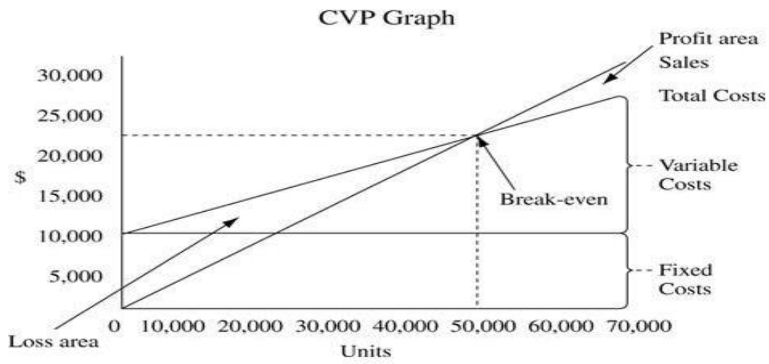
Improve Cash Flow

Budgeting is a noteworthy piece of management accounting. Entrepreneurs regularly utilize budgets so they have a reference guide for future business expenditures. Many budget plans depend on an organization's historic financial data. Management accountants will go over this data and make a master budget plan for the whole organization. Bigger business associations may utilize a few budget plans for divisions or offices. These individual budget plans may not move up into the company's general master budget. The principle motivation behind budgets is to spare the organization some cash through cautious analysis of vital and unnecessary money expenditures.

Management accounting systems also help Subway in improving their cash flow by creating budgeting plans for the organization either by division or for the entire company. When the organization budgets properly they are able to improve their cash flow

Cost-Volume Profit

Cost-volume profit analysis is utilized to decide how changes in expenses and volume influence Subway's working wage and net pay. In performing this examination there are a few assumptions made, including; sales price per unit is constant.Variable costs per unit are constant. Total fixed costs are constant. Production is sold. Costs are affected due to activity changes. Subway uses the cost volume profit analysis in order to decide what changes they need to make regarding their expenses, working wage and net pay. Below is an example of the cost volume profit analysis of Subway.



1. B) Efficiency

Efficiency is the optimal use of available resources to achieve a certain volume or level of output at the lowest costs, and it is one of the most important measures of success for organizations in achieving their goals. Efficiency is the rational, optimal and economical utilization of the organization's resources, and effectiveness is the extent to which the organization achieves its objectives at the lowest cost and in the least possible time.

In almost all sectors, companies face five major challenges: increased price competition, declining customer loyalty, increased operational costs, and the growing complexity of technology.

Unless these companies offer a set of products and services that distinguish them from others, they face increasing difficulty in competing through the value of their solutions. In response to these business pressures, many companies are looking for less expensive external resources to reduce the costs of their goods and services, but the construction of global supply chains, in and of itself, imposes a set of capital expenditures and operational complexities. Hence the need to establish new network infrastructures to support modern servers and systems, which in turn allows the development and implementation of a new set of business applications

1.C) Short-term Solvency

A company that has enough cash may have enough cash available to pay its bills, but may be headed for financial disaster on the road.The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets, thus excluding inventories from

1.D) Long-term Solvency

Generally speaking, shareholders, bondholders, and long-term creditors such as financial institutions are concerned with these ratios. These ratios are also used to analyze the capital structure of a company. Solvency ratios are ratios that are calculated to judge the financial position of the organization from the point of view of long-term solvency. These ratios measure a company's ability to meet its long-term obligations and are closely tracked by investors to understand and estimate the company's ability to meet its long-term obligations and help them decide on the long-term investment of their money in the business.

1.E) Market-based Ratios in SubWay

Financial ratios can be used to measure a company's performance and compare it with standard ratios such as those of the sector to which the company belongs or those of competing companies. Financial ratios are mainly divided into four main groups that investors in the financial markets must be familiar with: liquidity, profitability, returns from realized profits, and investment ratios. Each group contains sub-ratios.

The P/E ratio determines the price level that investors are willing to pay for each riyal of the company's current profits. It also indicates the time period required to recover the amount that the investor paid to purchase the stock, assuming the company achieves the same return in the comingyears. The higher the company's price-to-earnings ratio, the higher the stock's market value. However, the company with a high ratio of share price to earnings will remain attractive to investors, if expectations of a significant future growth in revenues increase.

On the other hand, whenever the price-earnings ratio falls below the average for the company's sector, this indicates that the investors' appreciation of the stock's value is lower than its fair value. The investor should take into account that the company's low share in the price-earnings ratio may reflect an aspect of the company's mismanagement, or that there are fundamental reasons why it is not a viable investment.

2. Suggest recommendations for improving the company business based of your report and research.

Management accounting systems have an essential role in an organization’s success through these systems the company is better able to respond to the financial problems that might occur in the company. There are a number of systems that Subway could possibly use in order to be more efficient in their financial issues. These systems have their advantages and disadvantages but even so if they are used properly it would greatly help the company.

An example of how management accounting systems assist Subway in their financial problems is when Subway has a problem with knowing how much their budget should be regarding the expenses they need for products, ingredients, personnel, etc. it would benefit them to use the *cost accounting system* because this type of management accounting can help in estimating the total cost of Subway’s expenses. So if ever Subway has problems in forming a budget for their expenses then all they have to do is use the cost accounting system and it would greatly benefit them which in turn would lead to the company’s increase in revenue as well as make the company more successful.

Another example is if Subway faces an obstacle regarding the distribution of some of their products to their clients or to their other branches, this problem would be troublesome for Subway as it affects their inventory of goods so in order to solve this problem then they would have to use the *inventory management system* as it would help them keep track of their goods that they possess, this system helps them know where they distribute their products as well as who they are distributing it to, when Subway applies this system then they would better be able to track their distributions and not have any problems regarding the deliveries. This might then result in the organization’s success regarding distribution of goods and give them a good reputation.

Subway might also face a problem regarding the payment of their employees with Subway being a huge organization who has the responsibility of caring for their employees they must be certain to give the employees everything they need without having to affect the financial stability of the company, so if Subway faces a problem where they might be giving their employees too much or too little of a budget then the solution to this obstacle is to use the *job costing system*. When they apply this management accounting system then they are better able to distinguish the precise amount of money they should give their employees and this would result in having a better budget plan which would inevitably lead to the organization’s continuous success as they have a better financial foundation.

In conclusion, as per the examples I have given we clearly see how essential it is for organizations such as Subway to apply the different management accounting systems because it would ultimately assist them in responding to the financial problems that the company might face. These systems are created to better give organizations a precise estimate regarding all things financial and although there might be disadvantages to these systems it would still make the operations of the organization a little more smoothly as well as give Subway a higher chance at a sustainable future with continuous success in the things that they do.

3. **Recommend one new investment project to the company. The company wants to expand its business through an investment project, however, it can only capitalize 40% through own capital**

In this section of the assignment I would be comparing how organizations are adapting the different types of management accounting systems to respond to financial problems. To do this I would be comparing my chosen organization Subway with their rival organization Charley's

Inventory Valuation

Inventory valuation is the cost related with an entity's inventory toward the end of a reporting period. It shapes a key piece of the cost of merchandise sold calculation, and can likewise be utilized as guarantee for loans. This valuation shows up as a present resource on Subway'sasset report. The inventory valuation depends on the expenses brought about by Subway to get the stock, change over it into a condition that influences it to be ready for sale, and have it transported into the best possible place available for sale.

Problem	Solution
Assimilation of overhead expenses into stock twists benefit if there is a development of stock.	Subway controls the admissible level of stock through marketable strategy they don't plan to manufacture unneeded stock. While Charley's charge proper estimation of abundance stock to period cost and charge just the standard expenses to stock; cost the variances.

Performance Planning and Measurement

Performance planning is an efficient and organized way to effectively accomplish the coveted objectives of Subway all through the appraisal year. An arrangement is made for Subway keeping in mind the more extensive goals of the association.

Problem	Solution

Execution measures taken from cost accounting frameworks fulfilling outer revealing necessities, although not inside the administration.	Subway creates inward measures which benefits contribution rather than net profit after taxation or ROI. Charley's on the other hand changes top administration accentuation to interior execution measures.

Business Planning

A business plan is a record that points the strategy of Subway on how they mean to maintain their business. There are a few destinations that ought to be canvassed in a business plan from what the organization's objectives are to the number of employees that they need. Business plans give a guide to where the owners of Subway need to take their organizations. It is likewise important to have if owners need to secure financing.

Problem	Solution
Overhead expenses don't legitimately mirror the impact of volume changes or different components, for example product mix changes.	Subway gives reproduction ability to test the affectability of item mix changes. While Charley's utilize guide charges to items to relegate these charges including having engineers, client administration, accounting, and best administration workers rounding out a vocation card.

Pricing

Pricing is the technique for deciding the value Subway's owners will get in the trading of merchandise and enterprises. Essentially, pricing method is utilized to set the cost of the Subway's offerings relevant to both the producer and client.

Problem	Solution

Dispense overhead costs in light of direct work. This frequently cheats more seasoned and more standard items that don't require as much overhead help; and undercharge more up to date, less standard items that are in the early part of the item life cycle and need more support.	Subway sets up particular offers or production cells, to reflect plainly the distinction in process necessities. Charley's on the other hand sorts out procedure ventures into various work centers and create distinctive overhead pools for each work center with various overhead rates.

Strategic Planning

Strategic planning is a hierarchical administration action that is utilized to set needs, center vitality and assets, fortify operations, guarantee that representatives and different partners are moving in the direction of shared objectives, build up assertion around planned results, and survey and modify Subway's heading because of an evolving situation. It is a trained exertion that produces central choices and activities that shape and guide what Subway is, who it serves, what it does, and why it does it, with an emphasis on what's to come. Viable vital arranging verbalizes not just where Subway is going and the activities expected to gain ground, yet in addition how it will know whether it is effective.

Problem	Solution
Item expenses don't usually recognize expense lessening openings.	Subway recognizes the client necessities and process wasteful aspects; wipes out the latter. While Charley's top administration demands shared obligations in the planning of item costs and money related plans.

3-A) Indicate whether it is a good idea by using NPV and WACC.

In capital budgeting, there are a number of different approaches that can be used to evaluate a project.. NPV estimates a company's future cash flows of the project. It then discounts them into present value amounts using a discount rate representing the project's capital costs as well as its risk. The investment's future positive cash flows are then reduced into a single present value figure.

3-B) Indicate whether the company must use its own cash or use retained earnings.

By maximizing shareholder wealth. To achieve the goal of maximizing shareholder wealth, management should strive to maximize

From the present value of the expected future returns of the company's owners. These returns can take the form of payments

The dividend is periodic or in the form of gains from the sale of common stock. The distribution and retention policy is the policy that determines the company's portion that will be distributed to shareholders. Investors differ greatly in effect between researchers. Distribution and retention policy on the value of the company, which made it one of the most controversial topics

The main argument that this study seeks to dismantle, analyze and solve its components is related to answering two questions.

While the second seeks to show whether the Iraqi Stock Exchange responds to the event of announcing the retention of profits by the companies listed therein, in a scientific, efficient, and far from biases manner.The financial objective of the company is to maximize the economic welfare of the owners. The economic well-being of the owners can be maximized by maximizing their wealth which is reflected in the market value of the shares. The value of the shares is represented by their market price, which is a reflection

For the company's financial decisions that include investment decisions, financing decisions and dividend decisions. Among the critical decisions, the decisions related to the divisor are the most important. The financial manager must decide whether the company should distribute or retain all profits or distribute part of it and keep the other part. However, proponents of the maximization theory Wealth does not encourage the distribution of profits in divided form because that means no efficiency on the part of management towards maximizing shareholder wealth.

4. **Decide whether or not the company should pay return earnings or not.**

I think that it is better not to distribute profits and returns first-hand so that the company can achieve a financial balance and a ceiling on which it depends in crises and difficult financial conditions, especially since some shareholders may resort to withdrawing the shares they own. Therefore, I see that the retention of returns within the company is very important.

The non-distribution constraint effectively means that such organizations are not allowed to distribute profits to stakeholders or employees. This is seen to increase trust as the constraint limits the ways in which companies could be seen as potentially wasteful

Conclusion

I chose the Subway Company, and provided a comprehensive answer through the application to the company, starting with your financial planning for the company, whether on the short or long term. I also talked about the cash flow of the company. I dealt with some recommendations for the company's growth and its continuity in competition and gaining more customers, while recommending some solutions and projects for the company's continuity.

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