

# Level 4 – Professional Diploma Synoptic assessment (PDSY)

Pre-release material for live assessments  
from **9 September 2019**

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## Instructions to students

This material is designed to contextualise the tasks you will receive in your live assessments.

This document has been made available to you ahead of your assessment. Studying this material will encourage you to think about the assessment topics in an integrated way, which is necessary for performing well in the synoptic assessment.

You will not be able to take a copy of this document into the assessment with you. However, you will have access to this material through pop-up windows in the assessment.

**Please note: This pre-release material relates to the live assessments only.**

# RUBY DALE LTD

## Company background

### History

Ruby Dale Ltd is a private limited company based in Manchester, which designs, manufactures, distributes and retails luxury shoes and handbags.

The business began 10 years ago when Ruby Dale, an award-winning fashion school graduate, started to sell her bespoke hand-made shoes on the internet on a made to order basis.

Ruby was joined two years later by Jack Carey, an entrepreneur, and together they formed Ruby Dale Ltd. Jack had seen Ruby's shoes featured in a leading fashion magazine and, sensing their wider market appeal, wished to manufacture a ready-to-wear version of the shoes on a much greater scale. They built a factory on an industrial estate in Manchester to make the shoes and opened their first shop in Manchester in 20X0.

### Recent developments

Ruby Dale Ltd has expanded rapidly over the last few years – facilitated by numerous celebrity endorsements – more than doubling the workforce and opening three new shops in London, Paris and New York, one in each location. The company also supplies its products to major high street retailers and independent stores, as well as enabling customers to purchase directly through the company's website. As Ruby Dale Ltd has grown it has diversified its portfolio of products, and now complements its core offering of luxury women's shoes with handbags, men's evening shoes and luxury trainers. The handbag collection in particular now forms an integral part of the business in terms of helping to promote the Ruby Dale lifestyle brand. In the last year, the company has also re-launched the made-to-order service – having originally stopped this when the shoes first started to be mass produced – to allow customers the option of purchasing a product that will be bespoke to them.

### Financial performance

Revenue increased by 20% in the year ending 30 September 20X5, with women's shoes – comprising 80% of turnover – being the main driver as the company launched a number of new styles across its product range. Sales to customers in the United Kingdom and Europe largely remained unchanged, due to economic uncertainty caused by political events. Sales to customers in Asia, the USA and the emerging economies, such as Brazil and Russia, experienced strong growth, assisted by a weaker pound sterling, rising levels of disposable income and a greater brand awareness. Sales to UK customers remain the company's main market, representing 42% of revenue. The e-commerce part of the business performed particularly well, delivering exceptional sales growth of 34%, as Ruby Dale Ltd introduced new features and technology on the online platform to improve the shopping experience of customers.

### Resources

On 30 September 20X5 Ruby Dale Ltd had 160 employees.

Department	Number of staff
Production, storage and distribution	73
Retail	41
Administration	26
Marketing	12
Design and development	8

Apart from 29 employees who work in the company's four shops, the rest are located at Ruby Dale Ltd's headquarters in Manchester where production is based. Although the site has expanded in order to meet the growing demand for the company's products, it is now starting to reach the limit of its manufacturing capacity with a couple of product lines experiencing temporary stockout shortages in the early part of 20X5. After a comprehensive tendering process, Ruby Dale Ltd made the decision in

the latter part of the financial year to outsource production of its handbags to a manufacturing company located in Asia, its principal area of market growth. Further outsourcing opportunities are also to be considered as the company looks to reduce its cost base and further expand its product range.

## **Sustainability**

Ruby Dale Ltd is committed to sustainable development regarding the economic, social and environmental aspects of its business.

The company operates a comprehensive training programme for all employees, which allows it to advance workplace safety, productivity and satisfaction. This is especially important given the large influx of new members of staff. It has recently embarked on an apprenticeship scheme to develop the company's designers and managers of the future and works closely with local schools and colleges to promote interest in the fashion industry and to identify high potential talent. In 20X3 Ruby Dale Ltd set up the Ruby Dale Foundation which sponsors under-privileged children to study fashion at university, as well as raising funds for local community projects.

In relation to the environment, Ruby Dale Ltd is striving to achieve ambitious savings in water, waste and energy. Recent initiatives include the installation of a water recycling system in the factory; removing single-use plastic items such as plastic bags, water bottles and cutlery from all company sites; replacing traditional lighting with LED lights; upgrading the fabric of buildings to improve insulation and boost energy efficiency. In addition, Ruby Dale Ltd has now implemented a scheme whereby faulty goods returned by customers are donated to charity wherever possible for resale on the second-hand market rather than sent to landfill. The company also works closely with suppliers to ensure that all materials are sourced using sustainable methods and staff are paid a fair wage and have good working conditions.

## **SWOT Analysis**

Joshua Edeki (Finance Director) has prepared the following SWOT analysis to evaluate Ruby Dale Ltd's competitive position:

### **Strengths**

- Talented design team
- Dedicated management with lots of experience of working in the fashion goods sector
- Strong relationships with both suppliers and customers
- Globally recognised brand

### **Weaknesses**

- Limit reached on current in-house manufacturing capacity
- Diseconomies of scale arising as a consequence of the larger workforce, for example communication issues, loss of co-ordination and low staff motivation
- Internal control weaknesses as a result of controls not evolving in step with the growing business
- Risk of overtrading

### **Opportunities**

- Diversify further the product range, for example into eyewear, fragrance, watches and jewellery
- Open new shops to achieve a greater high street presence, for example in the growing markets of Asia and the emerging economies
- Outsource production to overseas manufacturers
- Float on the stock market to obtain additional finance to fund investment

**Threats**

- Downturn in the macro-economic environment which would impact upon the demand for luxury products
- Rise in the cost of materials
- Aggressive competitive action taken by other companies in the luxury goods sector in respect of poaching customers and obtaining prime retail sites
- Adverse market reaction to new product lines

**Staff**

Some of Ruby Dale Ltd's key personnel are listed below:

Managing Director	Ruby Dale
Entrepreneur and shareholder	Jack Carey
Finance Director	Joshua Edeki
Production Director	Mark Austin
Sales Director	Nadia Bibi
Financial Controller	Erika Tordoff
Purchasing Manager	Sophie Proud
Warehouse Manager	Ethan Box
Credit Controller	Abdul Rahman
Accounts Payable Clerk	Ella Maggs
Accounts Receivable Clerk	Luke Sinclair
General Accounts Clerk and Cashier	Alfred Tait
Payroll Clerk	Zoe Senior

## Ruby Dale Ltd's financial statements

The financial statements of Ruby Dale Ltd – for the year ended 30 September 20X5 – show that the company had a turnover of £41.4 million and made a profit after tax of £4.7 million.

### Ruby Dale Ltd – Statement of profit or loss for the year ended 30 September 20X5

<b>Continuing operations</b>	<b>£000</b>
Revenue	41,380
Cost of sales	(15,434)
<b>Gross profit</b>	<b>25,946</b>
Distribution costs	(11,428)
Administrative expenses	(7,160)
<b>Profit from operations</b>	<b>7,358</b>
Finance costs	(1,420)
<b>Profit before tax</b>	<b>5,938</b>
Tax	(1,260)
<b>Profit for the period from continuing operations</b>	<b>4,678</b>

**Ruby Dale Ltd – Statement of financial position as  
at 30 September 20X5**

	<b>£000</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Property, plant and equipment	52,180
<b>Current assets</b>	
Inventories	3,780
Trade receivables	4,762
Cash and cash equivalents	676
	<u>9,218</u>
<b>Total assets</b>	<u>61,398</u>
<b>EQUITY AND LIABILITIES</b>	
<b>Equity</b>	
Ordinary share capital (£1 shares)	20,000
Retained earnings	16,836
<b>Total equity</b>	<u>36,836</u>
<b>Non-current liabilities</b>	
Bank loans	20,286
<b>Current liabilities</b>	
Trade payables	3,150
Tax liabilities	1,126
	<u>4,276</u>
<b>Total liabilities</b>	<u>24,562</u>
<b>Total equity and liabilities</b>	<u>61,398</u>