

QUT ACCOUNTING CHALLENGE 2024

CASE STUDY COMPETITION

The QUT logo is located in the bottom right corner of the image. It consists of the letters 'QUT' in a bold, blue, sans-serif font, set against a white square background. The entire image is a promotional poster for the QUT Accounting Challenge 2024 Case Study Competition. It features a background image of a modern glass and steel building at dusk, with a blue gradient overlay on the left and bottom right. Two students are walking on a path in the foreground. The text is in white, bold, sans-serif font.

THE CASE

THE CASE



A regular client of illumin8 – Naomi – just came to see Andrew, your boss, and Founder and Head of Purpose at illumin8. Naomi runs a successful landscaping business called ‘Nurture and Nature’. While Naomi is very good with her hands, she is not so good with numbers – which is why Naomi relies on illumin8 to manage the accounting side of her business.



Over the weekend, Naomi met with her nephew, Daniel, who recently graduated from high school. Daniel, along with two of his friends, spent the summer crafting a unique range of herbal iced teas in the kitchen of his parents' home in Byron Bay. They believe that they have created something special which they plan on calling "Byron Iced Brews."

The secret to the special taste of "Byron Iced Brews" lies in the brewing process. Daniel and his friends believe they have perfected a unique method that involves a delicate balance of time and temperature, allowing the natural flavours of herbs and fruits like mango, grapefruit, peach, and lemon to seamlessly infuse into the tea base. This artisanal approach guarantees that “Byron Iced Brews” embody the essence of its ingredients without any artificial additives.

Having successfully crafted and tested their product informally, Daniel and his friends are now eager to attract investors to support their startup.

Daniel shared with Naomi the strong market potential of "Byron Iced Brews", especially among health-conscious Gen Z consumers seeking refreshing alternatives to traditional sugary and caffeinated soft drinks. The emphasis on locally crafted beverages aligns perfectly with the unique taste preferences of the Byron Bay community and its surrounding areas.

Daniel and his friends have already initiated discussions with local retailers and cafes around Byron Bay who have expressed interest in stocking “Byron Iced Brews”. To move to the next phase of their startup, they are looking for investors.

THE CASE

THE CASE

Daniel has asked Naomi to consider investing \$100,000 of cash that will be used to acquire new equipment enabling them to scale up production and meet potential commercial demand. Naomi is eager to support Daniel and his friends in their startup but is also cautious about the risks involved. After all, she says "\$100,000 is a lot of money". Daniel scribbled down some figures for Naomi that show "Byron Iced Brews" would be profitable within 3 years, but Naomi isn't sure how reliable these figures are.

DANIEL'S SCRIBBLED DOWN FINANCIALS

Byron Iced Brews - Forecast

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Sales units	10,000	20,000	40,000
X Sales price	<u>\$5</u>	<u>\$5</u>	<u>\$5</u>
Revenue	\$50,000	\$100,000	\$200,000
Costs			
Equipment	100,000	50,000	
Ingredients	30,000	60,000	120,000
Packaging	5,000	10,000	20,000
Marketing	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
	\$ 140,000	\$ 125,000	\$ 145,000
Profit/Loss	<u>- \$90,000</u>	<u>- \$25,000</u>	<u>\$55,000</u>

Naomi has asked Andrew for some guidance on the kind of things she should be looking for to reassure herself that the business can and will be profitable. Andrew seeks your assistance.

THE TASK

THE TASK



Help Naomi make an informed decision as to whether she should invest in “Byron Iced Brews”.

Advise Naomi of the type of information she should request from Daniel to support her decision. Specifically, provide guidance on:

1

What information Naomi should request from Daniel as a potential investor in this business. **Identity 5 areas of the business proposal that Naomi should seek clarification on,** amongst other things, consider the legal, financial, and market implications.

2

If Naomi does invest in “Byron Iced Brews”, then as an investor, Naomi will want to ensure she has ongoing visibility of the business. What type of information should Naomi request from Daniel on an ongoing basis? **List 3 reports and 3 performance indicators.** Explain the purpose of each report/indicator, why it would be of particular interest to an investor like Naomi, and how often Naomi should receive such information.

CASE STUDY REQUIREMENTS

CASE STUDY REQUIREMENTS



For students selected to participate in the case study you will need to prepare the following:

1. A team name.
2. A 10-minute presentation that explains your answers to the two tasks.
Note that each member of the team should participate in the presentation.
3. PowerPoint slides to support your presentation.
4. Be prepared to answer 1-2 questions from Naomi and Andrew (the judging panel).

Note: Slides for the student presentations should be submitted to natalie.elms@qut.edu.au by 5pm on Thursday the 16th of May (the day prior to judging day).

TIPS FOR YOUR PRESENTATION



- You will be presenting your response to Naomi at your next client meeting with Andrew scheduled for Friday the 17th of May 2024.
- Remember that Naomi is not an accountant, so when you present to her make sure you explain any accounting or financial terms that she may not be familiar with.
- Remember that Andrew is your boss, and you want to impress him.
- As an accountant, neither you nor Andrew are qualified to advise the client on whether to make an investment or not – this requires a financial license. What you can and should do is make sure Naomi is able to make the best decision possible and monitor her investment by seeking the right type of information from Daniel.
- There is no right or wrong answer and there are many ways to address the task. Judges will be awarding marks based on students' ability to show they understand the task, can apply critical thinking, and communicate how accounting information supports good decision making.