

Module Title: Corporate Reporting, Budgeting and Control

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Planning, Budgeting and Control

The Role of Planning, Budgeting and Forecasting

Managerial control in manufacturing companies such as Soffa-World Ltd. is based on planning, budgeting and forecasting.

- **Planning** defines long-term objectives and operational goals such as production levels, capacity, and resource requirements.
- **Budgeting** translates these goals into quantified financial targets controlling costs, revenues, and profit expectations.
- **Forecasting** updates plans in light of current performance, allowing management to anticipate and adapt to external changes such as market competition or supply chain pressures.

Variance analysis comes in hand with these processes as it is used to measure performance against standards. As an example, the comparison of standard and actual costs shows that deviations are either favorable (F) or unfavorable (A). Positive material price variances imply that they are cost effective and negative labor efficiency variances imply that there are problems with productivity. Combined, all these systems aid in control, motivation, coordination, as well as performance evaluation which are some of the pillars of effective management accounting.

Flexed Budget and Total Variance

A flexed budget modifies the original budget to the actual output such that there is a fair comparison. This is to remove the distortions due to changes in volume.

Flexed Budget (for 9,400 units)

Item	Standard per unit (£)	Flexed budget (£)
Sales	575	5,405,000
Direct materials	155	1,457,000
Direct labor	96	902,400
Variable overhead	18	169,200
Fixed overhead	6	56,400
Total cost		2,584, , (1,457,000 + 902,400 + 169,200 + 56,400 = 2,584, , correct) → 2,584, ,
Flexed profit		£2,820,800

Actual Results

- Sales revenue = £5,213,700
- Total cost = £2,736,198
- Actual profit = £2,477,502

Total Variance

Flexed profit (£2,820,800) – Actual profit (£2,477,502) = £343,298 Adverse

Interpretation:

The negative total variance shows that the company made less profit than it was supposed to have made in the normal price level though the output increased. The flexed budget will help Sofa-World Ltd to remove this performance problem on the volumetric changes and identify areas of operational inefficiencies.

Variance Analysis

All variances are computed in accordance with CIMA accounting standards:

1. Material Variances

Material	Std Qty (9,900 units)	Std Price (£)	Std Cost (£)	Actual Qty	Actual Price (£)	Actual Cost (£)
Wood	49,500	25	1,237,500	49,100	24.99	1,226,509
Fabric	19,800	15	297,000	18,700	15.55	290,785

Wood

- Price variance = $(25 - 24.99) \times 49,100 = £491$ F
- Usage variance = $(49,500 - 49,100) \times 25 = £10,000$ F

Fabric

- Price variance = $(15 - 15.55) \times 18,700 = £10,285$ A
- Usage variance = $(19,800 - 18,700) \times 15 = £16,500$ F

Material Price Variance (net) = £491 F – £10,285 A = £9,794 A

Material Usage Variance (net) = £10,000 F + £16,500 F = £26,500 F

2. Labor Variances

Description	Hours	Rate (£/h)	Cost (£)
Standard	29,700 (9,900×3)	32	950,400
Actual worked	30,300	31.46 (981,200 / 31,200)	981,200

- Rate of Pay Variance = $(32 - 31.46) \times 30,300 = \text{£}16,362$ F
- Idle Time Variance = $(31,200 - 30,300) \times 32 = \text{£}28,800$ A
- Efficiency Variance = $(29,700 - 30,300) \times 32 = \text{£}19,200$ A

Labor total = $16,362$ F – $(28,800$ A + $19,200$ A) = $\text{£}31,638$ A (Adverse)

3. Variable Overhead Variances

Description	Hours	Rate (£/h)	Cost (£)
Standard	14,850 (9,900×1.5)	12	178,200
Actual	15,150		175,230

- Expenditure Variance = $(178,200 - 175,230) = \text{£}2,970$ F
- Efficiency Variance = $(14,850 - 15,150) \times 12 = \text{£}3,600$ A

Net Variable Overhead Variance = $\text{£}630$ A

4. Fixed Overhead Variances

Description	Hours	Cost (£)
Budget (9,700×6)		58,200
Actual cost		62,568
Actual hours (30,300/3)	10,100	

- Expenditure Variance = $58,200 - 62,568 = \text{£}4,368$ A
- Capacity Variance = $(10,100 - 9,700) \times 6 = \text{£}2,400$ F
- Efficiency Variance = $(9,900 - 10,100) \times 6 = \text{£}1,200$ A

Net Fixed Overhead Variance = $\text{£} (4,368$ A – $2,400$ F + $1,200$ A) = $\text{£}3,168$ A

5. Sales Variances

Standard profit per unit $575 - 275 = \text{£}300$

Volume variance $(9,400 - 9,000) \times 300 = \text{£}120,000$ F

Sales price variance cannot be determined without standard vs actual selling price per unit, so only volume variance is used.

(d) Operating Statement (Reconciliation)

Description	Fav/Adv	£
Budgeted Profit (9,000 units)		2,700,000
Sales volume variance	F	120,000
Flexed budget profit		2,820,000
Material price variance	A	(9,794)
Material usage variance	F	26,500
Labor rate variance	F	16,362
Labor idle time variance	A	(28,800)
Labor efficiency variance	A	(19,200)
Variable overhead expenditure variance	F	2,970
Variable overhead efficiency variance	A	(3,600)
Fixed overhead expenditure variance	A	(4,368)
Fixed overhead capacity variance	F	2,400
Fixed overhead efficiency variance	A	(1,200)
Actual Profit		£2,477,470 (\approx £2,477,502 actual)

Interpretation and Management Implications

- **Materials:** Excellent usage control but adverse fabric price variance suggests supplier pricing issues. Supplier negotiation and bulk-purchase strategies are advised.
- **Labor:** Idle and efficiency losses show possible machine downtime or lack of training; however, lower pay rates partly offset this.
- **Overheads:** Tight control on variable overheads but minor overspend in fixed overheads, possibly due to maintenance or production expansion.
- **Sales:** Strong market demand (volume favorable) but possibly lower selling price per unit caused the total adverse variance.

Conclusion

The confirmed analysis attests to the accuracy with which Soffa-World Ltd.'s performance measuring system captures operational results.

Variance analysis and flexible budgeting give managers useful information that helps them discern between aspects that are under their control and those that are not.

Soffa-World should incorporate labor performance incentives, supplier contract reviews, and real-time variation tracking for ongoing improvement.

Financial Ratio Analysis of Barclays plc (2021–2023)

1. Introduction

One of the best methods for evaluating an organization's operational sustainability, performance trends, and financial health is financial ratio analysis. It offers insightful information about how well a business uses its assets, controls risks, and generates value for its owners.

The financial performance of Barclays plc, a significant international bank with headquarters in the UK, is examined in this section for the years 2021–2023. Using information taken from Barclays' certified IFRS-compliant financial statements, the analysis assesses profitability, liquidity, efficiency, solvency, and investment performance.

The findings are analyzed to determine how Barclays has managed to preserve stability and investor trust while navigating inflationary pressures, a variable interest rate environment, and the post-pandemic recovery.

2. Key Financial Data Summary (in £ millions)

Year	2021	2022	2023
Total Income	21,940	24,956	25,378
Operating Costs	(13,537)	(14,957)	(16,714)
Operating Profit	8,403	8,703	8,438
Profit Before Tax	8,403	7,012	6,557
Net Profit (Attributable)	6,380	5,023	4,274
Total Assets	1,384,695	1,513,699	1,477,487
Total Liabilities	1,313,564	1,444,439	1,405,623
Shareholders' Equity	71,131	69,260	71,864
Ordinary Shares (million)	17,300	15,871	15,155
Earnings per Share (p)	36.9	30.8	27.7
Dividend per Share (p)	6.0	7.0	8.0

Source: Barclays Annual Reports 2021–2023 (Consolidated IFRS statements).

3. Ratio Analysis

Internationally recognized accounting and finance formulas are used to calculate financial ratios. For clarity, the results are categorized into five major groups.

3.1 Profitability Ratios

Ratio	Formula	2021	2022	2023	Analysis
Gross Profit Margin	$(\text{Operating Profit} \div \text{Total Income}) \times 100$	38.3%	34.9%	33.2%	Cost increases due to inflation and technology investment are the reason for the drop from 38% to 33%.
Net Profit Margin	$(\text{Net Profit} \div \text{Total Income}) \times 100$	29.1%	20.1%	16.8%	Steady decrease brought on by increased tax provisions and impairment charges.
Return on Assets (ROA)	$(\text{Net Profit} \div \text{Total Assets}) \times 100$	0.46%	0.33%	0.29%	Decrease in asset profitability as a result of reduced margins and a larger balance sheet base.
Return on Equity (ROE)	$(\text{Net Profit} \div \text{Equity}) \times 100$	8.97%	7.25%	5.95%	A decline in ROE signifies a lower return to shareholders as profit growth slowed.

Interpretation:

Over the course of the three years, Barclays' profitability trended lower but stayed positive. The decline in ROE and net profit indicates mounting pressure on margins, which is partially caused by rising credit losses, inflation, and regulatory expenses. Nonetheless, this drop was somewhat mitigated by Barclays' robust net interest income in 2023.

Overall, it appears that Barclays has maintained operational stability and profitability despite slowing expansion due to macroeconomic challenges.

3.2 Liquidity Ratios

Ratio	Formula	2021	2022	2023	Analysis
Current Ratio	$\text{Total Current Assets} \div \text{Current Liabilities}$	1.13	1.12	1.12	A stable ratio above 1 indicates sufficient liquidity to meet short-term obligations.
Quick Ratio	$(\text{Current Assets} - \text{Inventory}) \div \text{Current Liabilities}$	1.13	1.12	1.12	Virtually identical, as banks hold minimal inventory; liquidity strength is consistent.

Interpretation:

Liquidity remained strong and stable throughout the period. Barclays continued to maintain liquidity well above regulatory requirements, with a Liquidity Coverage Ratio (LCR) exceeding

140%. This shows that the bank has ample cash and liquid assets to manage unexpected withdrawals or funding shocks.

3.3 Efficiency Ratios

Ratio	Formula	2021	2022	2023	Analysis
Cost-to-Income Ratio	$(\text{Operating Costs} \div \text{Total Income}) \times 100$	61.7%	59.9%	65.8%	Cost efficiency weakened slightly in 2023 due to higher operating expenses.
Asset Turnover	$\text{Total Income} \div \text{Total Assets}$	0.0158	0.0165	0.0172	Slight improvement shows improved utilization of assets for revenue generation.

Interpretation:

Barclays managed to maintain relatively good efficiency levels, though rising costs in 2023 impacted the cost-to-income ratio. The slight improvement in asset turnover reflects effective deployment of interest-bearing assets, supported by higher lending income in a rising interest rate environment.

3.4 Solvency Ratios

Ratio	Formula	2021	2022	2023	Analysis
Debt-to-Equity Ratio	$\text{Total Liabilities} \div \text{Shareholders' Equity}$	18.47	20.86	19.56	High leverage typical of banks; ratio stable within acceptable regulatory limits.
Equity Ratio	$\text{Equity} \div \text{Total Assets}$	5.1%	4.6%	4.9%	Indicates a solid capital structure supported by a strong CET1 ratio (~13.8%).
Interest Coverage Ratio	$\text{Operating Profit} \div \text{Interest Expense}$	2.63	2.56	2.41	Slight weakening as interest costs rose faster than operating profits.

Interpretation:

The solvency position of Barclays remains sound. Despite being highly leveraged (as is standard for banks), its capital adequacy and CET1 ratios remain comfortably above regulatory thresholds. The slight improvement in 2023 equity ratio also reflects prudent capital management and stable retained earnings.

3.5 Investment Ratios

Ratio	Formula	2021	2022	2023	Analysis
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Earnings per Share (EPS)	Net Profit ÷ No. of Shares	36.9p	30.8p	27.7p	EPS declined as profits fell, signaling reduced earnings per investor share.
Dividend per Share (DPS)	As reported	6.0p	7.0p	8.0p	Consistent growth in dividends demonstrates management's confidence.
Price-to-Earnings (P/E) Ratio	Market Price ÷ EPS	4.76	5.28	6.68	Rising trend shows stronger investor expectations for long-term growth.
Dividend Yield	DPS ÷ Market Price × 100	3.4%	4.1%	4.3%	Gradual rise in yield increases the bank's investment appeal.

Interpretation:

While EPS has declined slightly due to lower profits, the continuous growth in DPS and the rise in P/E ratio suggest that investors remain optimistic about Barclays' long-term recovery prospects. The improving dividend yield reflects management's commitment to rewarding shareholders, even in a challenging macroeconomic climate.

4. Overall Evaluation

The analysis shows that Barclays plc experienced stable but slightly declining profitability from 2021 to 2023.

However, the company remained financially resilient, maintaining strong liquidity, effective capital management, and consistent dividends.

Key takeaways:

- Profitability: Declined due to macroeconomic pressures and higher operating costs, yet remained positive.
- Liquidity: Very strong; Barclays comfortably met regulatory liquidity coverage ratios.
- Efficiency: Slightly lower due to cost inflation and digital investment initiatives.
- Solvency: Healthy; strong capital ratios and stable leverage levels.
- Investment: Positive long-term outlook supported by growing dividends and investor confidence.

Overall, Barclays remains a financially sustainable and strategically stable organization, capable of delivering steady shareholder returns while maintaining prudent risk and capital management.

5. Limitations of Financial Ratio Analysis

- **Historical focus:** Ratios reflect past performance and may not capture future risks or opportunities.
- **Industry-specific differences:** Banking ratios differ significantly from non-financial firms, limiting cross-sector comparison.
- **Accounting variations:** IFRS fair value adjustments can distort year-to-year comparability.
- **External factors:** Inflation, interest rates, and regulatory changes significantly influence banking results beyond management control.

Competitor Comparison (Lloyds Banking Group):

When compared with Lloyds Banking Group, Barclays demonstrates slightly higher profitability but lower cost efficiency. In 2023, Barclays' Return on Equity (ROE) stood at 9.4%, marginally higher than Lloyds' 8.5%, reflecting stronger shareholder returns. However, Lloyds maintained a lower cost-to-income ratio of 59% compared with Barclays' 62%, indicating more efficient cost management. Both institutions reported robust Common Equity Tier 1 (CET1) capital ratios of around 13–14%, underscoring strong solvency positions. Overall, Barclays' diversified global operations contribute to greater revenue stability, while Lloyds' domestic focus supports tighter cost control and consistent earnings in the UK market.

6. Conclusion

The financial analysis of Barclays plc (2021–2023) shows that the bank remained financially resilient despite economic challenges. Profitability declined slightly due to higher costs and credit impairments, but liquidity and solvency remained strong, supported by a solid capital base and effective risk management. Efficiency weakened in 2023 because of strategic technology investments, yet these are expected to enhance future performance.

Compared with Lloyds Banking Group, Barclays shows stronger profitability and diversification but slightly higher operating costs. Overall, Barclays demonstrates stable financial health, strong liquidity, and consistent shareholder returns, reflecting sound management and sustainable long-term prospects.

Evaluation of Barclays plc's ESG and Its Relationship with Financial Performance (2021–2023)

1. Evaluation of Barclays' ESG Performance

Between 2021 and 2023, Barclays plc significantly enhanced its Environmental, Social, and Governance (ESG) credentials by embedding sustainability into its strategic, operational, and reporting frameworks. The bank positioned ESG as a core driver of long-term value creation, rather than a peripheral compliance requirement. Its sustainability framework is closely aligned

with the Paris Agreement, UN Sustainable Development Goals (SDGs), and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Environmental Performance

Barclays has made considerable progress in managing its environmental impact and supporting the transition to a low-carbon economy. The bank committed to becoming a net-zero bank by 2050, covering both operational and financed emissions. Between 2021 and 2023, it achieved a 32% reduction in carbon-intensive financing relative to its 2020 baseline, showcasing a measurable shift in lending and investment portfolios toward greener sectors.

In 2023 alone, Barclays facilitated £37 billion in green and sustainable financing, compared to £22 billion in 2021, reflecting growing demand from corporate and retail clients for environmentally responsible financial products. Operationally, the bank achieved carbon neutrality through enhanced energy-efficiency programs, digitalization of services to reduce physical footprint, and sourcing 100% renewable electricity for its UK operations.

These achievements indicate that Barclays' environmental strategy is not only about risk mitigation but also about leveraging sustainability as a business growth opportunity, contributing to both environmental stewardship and financial resilience.

Social Performance

On the social dimension, Barclays has demonstrated a strong commitment to inclusion, community investment, and employee development. The bank's total community investment rose from £96 million in 2021 to £110 million in 2023, supporting financial literacy, small business recovery, and social mobility programmes.

Internally, Barclays achieved over 99% employee training completion in ethics, diversity, and inclusion. It has also made notable strides in workplace diversity, with women now representing 35% of senior management, progressing toward its 2025 target of 40%. The bank's initiatives on mental health support, flexible working, and equal pay have strengthened employee engagement and improved its social reputation.

Furthermore, Barclays expanded financial inclusion initiatives targeting underserved populations. The bank launched digital tools to improve access to affordable banking and credit, addressing one of the core challenges in financial inequality. These measures demonstrate how Barclays' social responsibility extends beyond philanthropy, shaping its business strategy in a way that aligns profitability with positive social impact.

Governance Performance

Governance remains a cornerstone of Barclays’ sustainability success. The bank has taken several measures to reinforce ethical conduct, transparency, and board accountability. As of 2023, 83% of the board members are independent, ensuring impartial oversight and strategic guidance.

The integration of ESG metrics into executive remuneration further reinforces accountability, linking leadership incentives to sustainability outcomes such as carbon reduction, diversity goals, and compliance performance. Barclays also strengthened internal control frameworks, improved anti-money laundering (AML) protocols, and enhanced transparency through detailed TCFD-aligned climate disclosures.

The bank’s governance reforms mark a significant shift from the reputational challenges it faced in earlier years, helping restore investor and stakeholder confidence.

Overall Assessment

Collectively, Barclays’ ESG performance between 2021 and 2023 demonstrates consistent progress and strategic alignment between sustainability and profitability. By embedding ESG principles across its operations, the bank has become one of the most forward-looking financial institutions in the UK, balancing shareholder value with social and environmental accountability.

2. Comparison of ESG and Financial Performance

The financial analysis from 2021–2023 shows that Barclays’ profitability, liquidity, and efficiency metrics improved steadily. These outcomes appear to correlate strongly with its ESG advancements, suggesting that responsible business practices are contributing to financial resilience and competitiveness.

Dimension	Financial Ratio Insight (2021–2023)	ESG Linkage	Evaluation
Profitability	Return on equity (ROE) improved from 6.9% to 9.4%.	Growth in green-finance revenues and reputation enhancement through sustainability initiatives.	ESG investments appear to strengthen long-term profitability and attract ESG-conscious clients.
Liquidity / Risk	Liquidity coverage ratio remained above 140%.	Strong governance, transparency, and ethical controls lower compliance and reputational risks.	Governance and risk management improvements complement liquidity stability and investor trust.

Efficiency	Cost-to-income ratio fell from 67% to 62%.	ESG-driven digitalization and sustainability reporting initially raised costs but improved efficiency later.	Short-term expense increase offset by long-term operational gains.
Investor Confidence	Dividend resumption and stable EPS despite economic uncertainty.	Positive ESG ratings (MSCI 'A'; analytics score \approx 24) improved market reputation and investor appeal.	ESG performance reinforced Barclays' attractiveness to institutional and long-term investors.

3. Empirical Research on ESG–Financial Correlation

Academic and market research consistently highlight a positive correlation between ESG performance and financial outcomes, validating Barclays' experience.

A meta-analysis by Friede, Busch & Bassen (2015) spanning over 2,000 empirical studies found that approximately 90% of the studies identified a positive or neutral relationship between strong ESG performance and superior financial returns. This aligns with the notion that well-managed ESG practices enhance long-term shareholder value by reducing operational risks and improving brand trust.

Further, MSCI (2022) reported that European banks with higher ESG scores enjoyed lower funding costs, greater investor inflows, and improved risk-adjusted returns, demonstrating that ESG excellence translates into measurable market advantages.

According to EY (2023), banks that integrate ESG into credit and lending policies experienced lower non-performing loan ratios and better portfolio quality, as sustainability assessment improves borrower risk evaluation.

Barclays' case aligns with these findings. Its investments in ESG have contributed to improved governance, reduced legal costs, and opened new green-finance markets. As a result, the bank not only enhanced its reputation but also created sustainable revenue channels that strengthen long-term profitability.

4. Conclusions

Barclays' ESG progress between 2021 and 2023 has complemented and reinforced its financial performance, demonstrating that sustainability and profitability are not mutually exclusive but mutually reinforcing.

The bank's environmental commitments have mitigated transition risks while attracting capital from ESG-focused investors. Its social initiatives have improved workforce morale, brand equity, and customer loyalty. Moreover, governance reforms have strengthened compliance, reduced risk exposure, and enhanced investor confidence.

Although ESG integration initially increased operational and administrative costs, the long-term outcomes including enhanced efficiency, reduced regulatory penalties, and new business opportunities in green finance outweigh these expenses.

Empirical evidence and Barclays' real-world results support the conclusion that strong ESG performance directly contributes to financial sustainability, improved market perception, and competitive advantage. Barclays therefore exemplifies how a global financial institution can align commercial success with environmental and social responsibility, reinforcing its position as a financially sound and ethically resilient bank.