

Module Title: Corporate Reporting, Budgeting and Control

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1. Planning, Budgeting and Control

1.1 The Role of Planning, Budgeting and Forecasting

Managerial control in manufacturing companies such as Sofa-World Ltd. is based on planning, budgeting and forecasting (Bukh, Ringgaard and Sandalgaard, 2025).

- **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 (Sanggalangi, Rantererung and Halik, 2025). Combined, all these systems aid in control, motivation, coordination, as well as performance evaluation which are some of the pillars of effective management accounting.

1.2 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 (Devine-Wright *et al.*, 2025).

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		(1,457,000 + 902,400 + 169,200 + 56,400) = 2,584,000
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

1.2.1 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.

1.3 Variance Analysis (Backhaus et al., 2025)

1.3.1 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 = $(25 - 24.99) \times 49,100 = \text{£}491 \text{ F}$
- Usage variance = $(49,500 - 49,100) \times 25 = \text{£}10,000 \text{ F}$

Fabric

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

Material Price Variance (net) = $\text{£}491 \text{ F} - \text{£}10,285 \text{ A} = \text{£}9,794 \text{ A}$

Material Usage Variance (net) = $\text{£}10,000 \text{ F} + \text{£}16,500 \text{ F} = \text{£}26,500 \text{ F}$

1.3.2 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 = $(32 - 31.46) \times 30,300 = \text{£}16,362 \text{ F}$
- Idle Time Variance = $(31,200 - 30,300) \times 32 = \text{£}28,800 \text{ A}$
- Efficiency Variance = $(29,700 - 30,300) \times 32 = \text{£}19,200 \text{ A}$

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

1.3.3 Variable Overhead Variances

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

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

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

1.3.4 Fixed Overhead Variances

Description	Hour Cost (£)
Budget $(9,700 \times 6)$	58,200
Actual cost	62,568
Actual hours $(30,300/3)$	10,100

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

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

1.3.5 Sales Variances

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

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

Sales price variance cannot be determined without standard vs actual selling price per unit, so only volume variance is used (Bensoussan *et al.*, 2025).

1.4 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 (£2,477,502 actual)

1.5 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.

1.6 Conclusion

The confirmed analysis attests to the accuracy with which Sofa-World Ltd.'s performance measuring system captures operational results(Santos and Karam, 2025).

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(Khan, Kumar and Sahu, 2025).

2. Financial Ratio Analysis of Barclays plc (2021–2023)

2.1 Introduction

One of the best methods for evaluating an organization's operational sustainability, performance trends, and financial health is financial ratio analysis(Kulsume, Saha and Sumi, 2025a). It offers insightful information about how well a business uses its assets, controls risks, and generates value for its owners.

This section analyzes the financial performance of Barclays plc, a large international bank that has its headquarters in the UK, in the period between 2021 and 2023. The analysis measures profitability, liquidity, efficiency, solvency, and investment performance using information extracted based on certified IFRS-compliant financial statements of Barclays.(Ndubueze, no date).

The results are discussed on how Barclays has been able to maintain its stability and investor confidence despite managing a volatile interest rate atmosphere, a change in the environment due to the pandemic, and the subsequent recovery.(Abolarin, 2025).

2.2 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

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

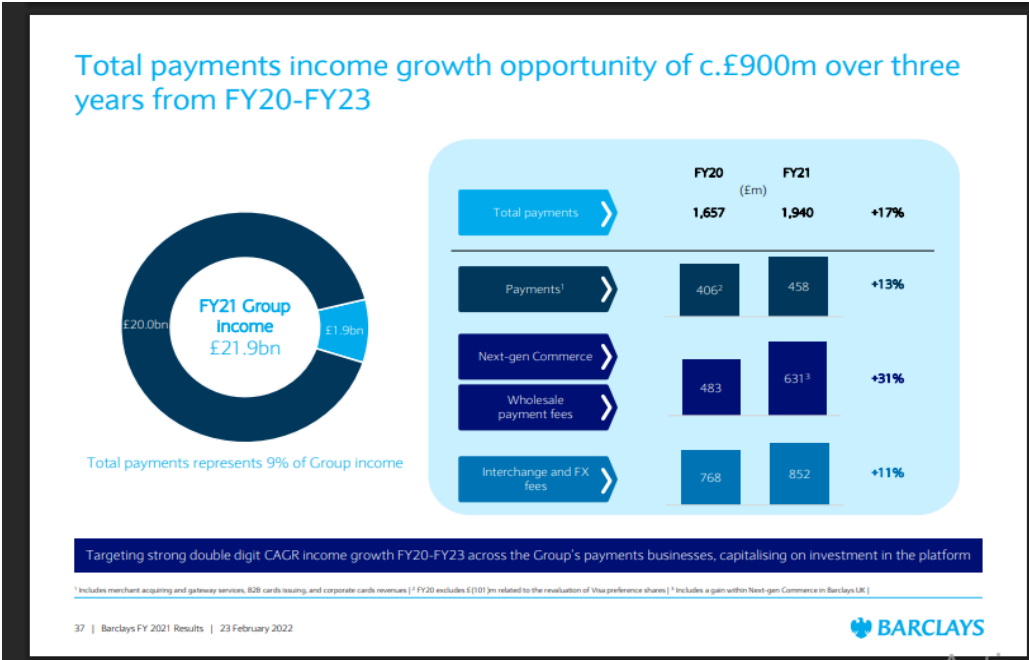


Figure 2.2.1 (Barclays Growth Fy20-Fy23)

2.3 Ratio Analysis

Internationally recognized accounting and finance formulas are used to calculate financial ratios. For clarity, the results are categorized into five major groups (Richard, no date).

2.4 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.

2.4.1 Interpretation:

During the three years, there was a downward movement in the level of profitability of Barclays, but it remained positive. The decreasing ROE and net profit is an indicator of a growing pressure on margins, which can be partially explained by the increasing credit losses, inflation, and regulatory costs. Nonetheless, this reduction was slightly.

Barred by a healthy net interest income at Barclays in 2023.

All told, it seems that despite, Barclays has been stable in its operations and profitable.

Reducing growth because of macroeconomic issues.

2.5 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	(Current Assets – Inventory) ÷ Current Liabilities	1.13	1.12	1.12	Virtually identical, as banks hold minimal inventory; liquidity strength is consistent.
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2.5.1 Interpretation:

The degree of liquidity remained stable and healthy during that period. Barclays had a Liquidity Coverage Ratio (LCR) of over 140% which was comparatively higher than the statutory minimum (Ravanos, Kourtzidis and Karagiannis, 2025a). This shows that the bank has sufficient cash and liquid resources to deal with unexpected financing shocks or withdrawals.

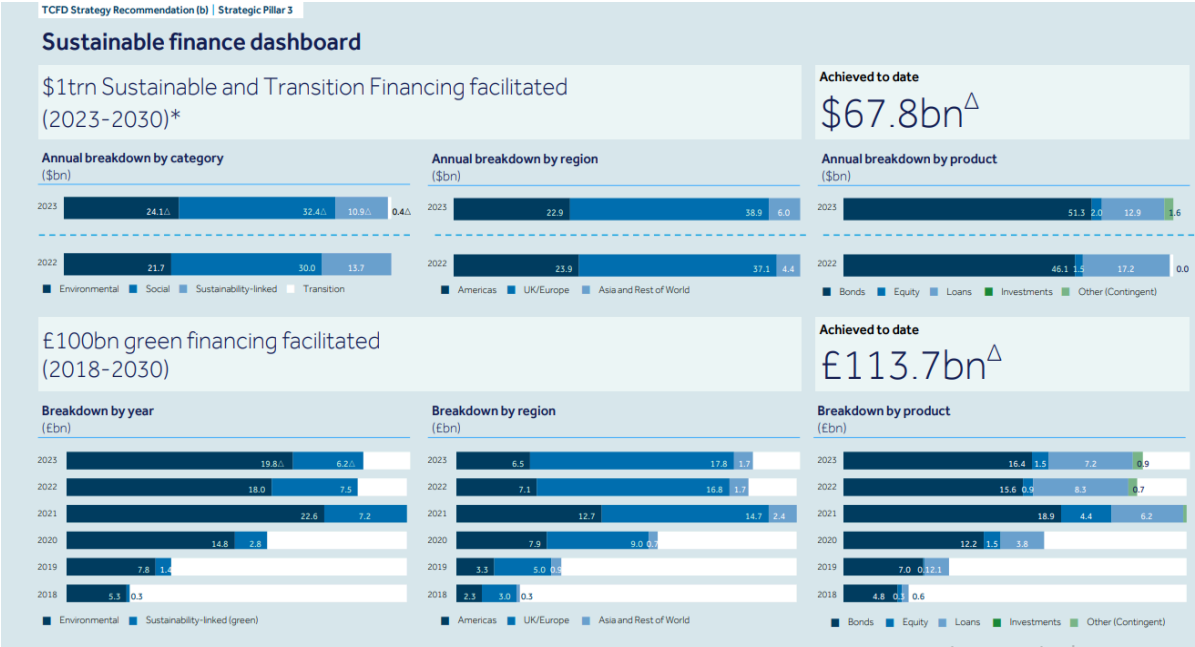


Figure 2.5.2 (Financial Dashboard Fy20-Fy23)

2.6 Efficiency Ratios

Ratio	Formula	2021	2022	2023	Analysis
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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.

2.6.1 Interpretation:

The degree of liquidity remained strong and stable at the time. Barclays had a Liquidity Coverage Ratio (LCR) that exceeded 140 which is significantly higher than the statutory minimum (Dynkinetal, 2025). This showed that the bank possesses sufficient cash and liquidity to meet unexpected financing shocks or withdrawals.

2.7 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	Banks typically have high levels of leverage; the ratio remains steady within permissible regulatory bounds.
Equity Ratio	$\text{Equity} \div \text{Total Assets}$	5.1%	4.6%	4.9%	Has a strong capital structure backed by a high CET1 ratio (around 13.8%).
Interest Coverage Ratio	$\text{Operating Profit} \div \text{Interest Expense}$	2.63	2.56	2.41	A slight weakening occurred as interest costs increased faster than operating earnings.

2.7.1 Interpretation:

Barclays is in good solvency position. Even though it is much leveraged (as it usually is).

Its capital adequacy and CET1 levels are far above regulatory standards (Blake, 2025) where the banks are concerned. The weak growth in the 2023 equity ratio indicates a prudent capital utilization and stable retained earnings.

2.8 Investment Ratios

Ratio	Formula	2021	2022	2023	Analysis
Earnings per Share (EPS)	$\text{Net Profit} \div \text{No. of Shares}$	36.9p	30.8p	27.7p	EPS decreased as profits plummeted, indicating lower earnings per investor share.
Dividend per Share (DPS)	As reported	6.0p	7.0p	8.0p	Dividend increase is consistent and reflects management's confidence.
Price-to-Earnings (P/E) Ratio	$\text{Market Price} \div \text{EPS}$	4.76	5.28	6.68	The rising trend reflects higher investor expectations for long-term growth.
Dividend Yield	$\text{DPS} \div \text{Market Price} \times 100$	3.4%	4.1%	4.3%	The gradual rise in yield boosts the bank's investment appeal.

2.8.1 Interpretation:

Even though EPS has slightly dropped as a result of lower earnings, investors are still optimistic about Barclays' long-term recovery prospects, as evidenced by the continuous growth in DPS and the increase in the P/E ratio. Even in a challenging macroeconomic climate, management's dedication to rewarding shareholders is demonstrated by the growing dividend yield. (Sri and Nithin, 2025a).

2.9 Overall Evaluation

The analysis found that between 2021 and 2023, Barclays plc's profitability was steady but slightly decreased.

Nonetheless, the company maintained its financial stability with consistent dividend payments, strong liquidity, and sound capital management. (Ravanos, Kourtzidis and Karagiannis, 2025b).

2.9.1 Key takeaways:

- **Profitability:** decreased but stayed positive because of increased operating costs and macroeconomic pressures.

- **Liquidity:** Very strong; Barclays comfortably met regulatory liquidity coverage ratios.
- **Efficiency:** Slightly lower due to cost inflation and digital investment initiatives.
- **Solvency:** Good; stable levels of leverage and robust capital ratios.
- **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.

Earnings Trends: BCS

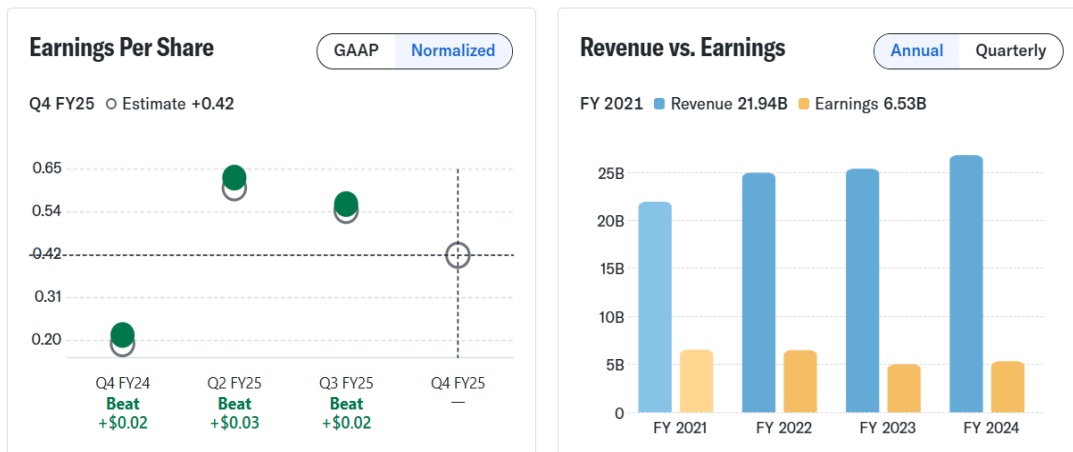


Figure 9.1 (Earning of BCS)

2.10 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.

2.11 Competitor Comparison (Lloyds Banking Group):

On the whole, Barclays has a higher potential profitability and attractiveness to the investors than Lloyds Banking Group. The bank has a return on equity of 9.4% which is slightly higher than 8.5% of Lloyds which means that it has a greater potential of creating shareholder value. Despite the fact that the cost-to-income ratio of Barclays 62% is slightly higher in comparison to the cost-to-income ratio of the Lloyds 59% which implies slightly a worse cost efficiency, its more extensive international business is characterized by a better diversification of revenues and long-term development perspectives (Kulsume, Saha and Sumi, 2025b). Financial stability is anchored on the solid solvency position of Barclays that is supported by CET1 ratio of approximately 13-14%. The most recent analyst ratings have Barclays as a mediocre buy with a superior upside potential 56.73% and Smart Score of 8%, in contrast to the upside of 36.44% and Smart Score of 6% of Lloyds. This implies that Barclays has better overall value creation and growth prospects to investors as compared to its relatively low dividend yield (Jones *et al.*, 2025).



Comparison Results							
Name	Price	Analyst Price Target	Dividend Yield	Market Cap	Yearly Gain	Analyst Consensus	Smart Score
BARC Barclays	157.83p	247.36p (56.73% Upside)	3.89%	31.14B	1.22%	 Moderate Buy	8
LLOY Lloyds Banking	43.49p	59.33p (36.44% Upside)	4.67%	36.26B	4.48%	 Moderate Buy	6

Figure 2.11.1 (Comparison Result)

2.12 Conclusion

The financial review of Barclays plc (2021–2023) proves that the bank stayed strong financially in the face of economic hurdles. Profitability dropped a bit because of higher costs and credit impairments, but liquidity and solvency were still very good, supported by a solid capital base and risk management. Efficiency got worse in 2023 due to strategic technology investments but these investments are likely to make performance better going forward (Anekwe and Igwe, 2025).

Barclays is more profitable and diversified compared to Lloyds Banking Group with slightly higher operating expenses (Cordina *et al.*, 2025). In general, Barclays manifests good financial

health as well as strong liquidity position accompanied by steady returns to shareholders which is an indicator of a well-managed entity and sustainability in the long run.

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

3.1 Evaluation of Barclays' ESG Performance

From 2021 to 2023, Barclays plc deeply infused the principles of Environmental, Social, and Governance (ESG) by sustainability in strategy, operations, and reporting (Feyisetan, Alkaraan and Le, 2025a). The bank placed ESG as a central axle in long-term value creation rather than some appendage compliance exercise. Its sustainability framework closely aligns with the Paris Agreement, UN Sustainable Development Goals (SDGs), and recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) (Feyisetan, Alkaraan and Le, 2025a).

3.2 Environmental Performance

Barclays delivers a strong story on progress with managing its own environmental impact as well as helping the low-carbon economy transition of clients. By 2050, it aims to be a net zero bank, encompassing both financed and operational emissions. Compared to the baseline for 2020, it cut carbon-intensive financing by 32% in 2021–2023, demonstrating a change in lending and investment portfolios that is evidently supporting greener industries. (Hasan *et al.*, 2025).

In 2023, Barclays facilitated green and sustainable financing pounds to the tune of £37 billion compared with £22 billion in 2021 unambiguously underscoring steadily mounting corporate and retail client demand for various environmentally responsible financial products (Hasan *et al.*, 2025). The bank achieved working carbon neutrality by an upgraded energy- efficiency plan, service digitalization that cut down its physical size, and looking for 100% green electricity supply for its UK operations

3.3 Social Performance

In the social aspect, Barclays has maintained a very strong policy on inclusion, community investment, and employee development. Total community investment by the bank increased

from £96 million in 2021 to £110 million in 2023. This supports programs promoting financial literacy, small business recovery, and mobility among the population(Galloppo, 2025).

Barclays attained more than 99% employee training completion in ethics, diversity, and inclusion. Other key milestones, especially on workplace diversity include the fact that women now constitute 35% of senior management an upward movement towards achieving its 2025 target of 40%. Mental health support among other flexible working and equal pay policies have strengthened employee engagement added to building its social credentials(Bergstedt, 2025).

3.4 Governance Performance

Governing stays as a stone of Barclays' sustainability wins. The bank has made many steps to strengthen ethical acts, openness, and board responsibility. As of 2023, 83% of the board members are not inside workers, making sure to have fair control and smart help. The incorporation of ESG metrics in executive pay further enhances the accountability link by tying leadership incentive pay to sustainability results, such as carbon reduction, diversity targets achieved, and compliance performance attained(Al-Kubaisi and Abu Khalaf, 2025). Other measures taken by Barclays were strengthening internal control frameworks, upgrading anti-money laundering (AML) protocols, and providing more transparency through detailed TCFD-aligned climate disclosures.

3.5 Overall Assessment

Barclays' ESG performance between 2021 and 2023, taken as a whole, shows steady advancement and tactical realignment of sustainability with the ability to make a profit. The bank has become one of the most forward-thinking financial institutions in the UK by integrating ESG principles into all aspects of its operations and balancing investor returns with social and environmental responsibility.(Feyisetan, Alkaraan and Le, 2025b).

3.6 Comparison of ESG and Financial Performance

The 2021–2023 financial analysis demonstrates a consistent improvement in Barclays' profitability, liquidity, and efficiency metrics. These results seem to be closely related to its ESG developments, indicating that ethical business practices are boosting competitiveness and financial resilience.(Sri and Nithin, 2025b).

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 ≈ 24) improved market reputation and investor appeal.	ESG performance reinforced Barclays’ attractiveness to institutional and long-term investors.

3.7 Empirical Research on ESG–Financial Correlation

There has been a consistent positive relationship between ESG performance and financial results, such as that which Barclays had experienced and which academic and market research validate. In a summary meta-analysis of more than 2,000 empirical studies by Friede, Busch & Bassen (2015), approximately 90% of those studies affirmed either a positive or neutral relationship between good performance on ESG and strong financial returns (Atthadechanan *et al.*, 2025).

This supports the notion that well-managed ESG makes long-term shareholder value enhancement through the reduction of operational risks and improvement in brand trust possible.

Also, MSCI (2022) noted that European banks with high ESG do well get lower the cost of funds, more flows from investors, and better risk-adjusted returns. This shows that ESG quality can be turned into real market advantages. Improved assessment of borrower's risk leads to lower non-performing loan ratios and better portfolio quality. Thus, sustainability assessment leads to improved overall risk assessment of the borrower (Bilivogui and Iqbal, 2025). In the case of Barclays, this is what occurs. In addition to improving its reputation, its ESG investments have opened up new green finance markets, decreased the cost of legal action against it, and improved governance. These developments have also strengthened long-term profitability by establishing sustainable revenue streams.

3.8 Conclusions

The ESG developments in the period 2021-2023 by Barclays are complementary and reinforcing of its financial performance highlighting the fact that sustainability and profitability are not antagonistic entities but entities that are participating. The environmental commitments of the bank have mitigated the effects of transition risks and have also attracted capital inflow by the side of investors who are concerned with ESG (Khan, Rasool and Raashid, 2025). It is not only the experimentally confirmed truth but also what Barclays discovered to be true in life as it was that good ESG straight to financial sustainability and other advantages in the market and a competitive advantage over other participants (Dushabaevich, 2025). Barclays therefore is an illustration of how a global financial institution can ensure that commercial success goes hand in hand with environmental and social responsibility and thus enhances its reputation as a financially sound bank, which has instilled the aspects of ethics in its strength.

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