



Accounting tool supporting decision making for commissioning company

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Start-ups very often face numerous challenges during the first years of operations, management and founders are busy dealing with shaping their creature, and they might lack time to deal with accounting issues. This thesis aims to provide support for decision making through a managerial accounting tool built and developed by the author to satisfy commissioning company's needs. Furthermore, market trend analysis research is conducted to establish reasons and risks related to commissioning company's market entries.

The commissioning company is a young start-up operating in the alcoholic beverages market, which has expressed the wish to remain unnamed throughout this thesis.

This thesis theoretical framework studies literature related to financial and managerial accounting, using knowledge reached through desktop research performed by the author, at the beginning of this project. A desktop research is carried also to establish what are the current trends in alcoholic beverages industry and to highlight risks and opportunities of market entries decisions.

The tool is built and implemented using MS Excel. It helps the management with financial statement analysis, sales analysis, sales forecast and BEP analysis. The tool is built so that is easy to use and its processes are easy to replicate for future purposes. The basis of the tool is internal data provided by the commissioning company upon non disclosure agreement signed with the author.

The market trend analysis focuses its attention on alcoholic beverages market in Finland, Denmark and Hong Kong. The research outcome is included in chapter four of this thesis, while the case company has been provided with a PowerPoint presentation summarizing and visualizing research's facts.

After project implementation, the outcome was evaluated and ideas for further development have been suggested.

Overall, the tool was found effective and easy to use, while the market trend analysis research proved its usefulness highlighting risks and reasons behind commissioning company's market entry decisions.

Keywords

Managerial Accounting, Financial Accounting, Sales analysis, Sales forecast, Financial statements.

Contents

1	Introduction	1
1.1	Case company introduction and project background	1
1.2	Project Objective and scope	3
1.3	International aspect and risks	5
1.4	Expected results and benefits	5
1.5	Key concepts	6
2	Theoretical areas of the project	7
2.1	Decision making and management	8
2.1.1	A balance between risk and return	9
2.2	Financial accounting	9
2.2.1	Accounting legislation and standards	10
2.2.2	System of book-keeping and basis of accounting	11
2.2.3	The concept of revenue	11
2.2.4	The concept of income	12
2.3	Financial statement analysis	13
2.3.1	A brief overview of the three main financial statements	13
2.3.2	Modus operandi of financial statement analysis	14
2.4	Managerial accounting	16
2.4.1	New approach to managerial accounting and its versatility	17
2.4.2	Controlling: budgeting	17
2.4.3	Sales performance analysis	18
2.5	Market analysis	19
3	Project overview	21
3.1	Project design	21
3.2	Project methods	22
4	Low and no alcohol market analysis worldwide	23
4.1	Strongest trends in the industry	24
4.2	Alcohol market in Finland: historical background	26
4.2.1	Finnish drinking trends	27
4.3	Hong Kong: cocktail capital for Käska	29
4.4	Denmark & Alcohol	31

4.5	Market trend analysis outcomes	33
4.6	Tool's design	34
4.6.1	Tool part one: financial statement analysis	34
4.6.2	Tool part two: sales analysis.....	36
4.6.3	Tool part three: sales forecast & BEP	37
5	Evaluation of the thesis project.....	40
5.1	Project outcome assessment.....	40
5.2	Assessment of learning	40
5.3	Commissioning company feedback	41
5.4	Further development and suggestions.....	41
5.5	Conclusion.....	42
	References	43
	Appendix 1. Overview of thesis planned and actual activities	48

1 Introduction

This thesis follows the model of a product-based project and finalizes author's bachelor studies in the degree programme of international business, majoring in financial management at Haaga-Helia University of Applied sciences.

The project shapes itself around the effectiveness of managerial accounting as a supporting tool for better decision making in start-ups organizations. The aim of this thesis is to provide commissioning company with an excel tool for managerial accounting, developed by the author to support decision making.

In this chapter, the reader is first introduced to the case company and the background of this project: what the tool is about, who it is developed for, and why it is important to the company. The next step included in this chapter will introduce the project itself: the project objective, phases, and scope. The project's risks are also analysed, and key concepts are introduced to the reader.

1.1 Case company introduction and project background

The case company is a start-up founded in 2019. It has been active on the low ABV drinks market for two years by now, its products are sold currently in Finland, Hong Kong, and Denmark.

Founded by few friends based in Europe, the company launched the first product in 2020: a low ABV distilled.

The start-up's products are sold through various channels: for example, they are available on Alko's shelves across Finland or in some restaurants and bars within the country, or even in Hong Kong and Denmark through export sales. The company has its office in North Europe, production and distribution have been outsourced to a third party. During 2021 the turnover was around 60,000 EUR, while the number of employees is below twenty.

The goal of this thesis project is to provide a managerial accounting tool, which would help the company in the decision-making process.

The excel tool developed by the author contains different sections: the first one dedicated to financial statement analysis, the second one for sales analysis and forecast, and the third one for break-even point and target profit.

The tool is critical for efficient business planning, as it helps management and shareholders to analyse and assess performance from various viewpoints. Financial statement analysis improves the company's ability to evaluate the current situation and compare it with the past; sales analysis and forecast improves case company's ability to

learn from historical data and to evaluate better the future; break-even point calculation and target profit provide management with the necessary path to follow in terms of revenues and expenses.

Perhaps not all start-ups have in place comprehensive managerial accounting tools including target profit, for example. Especially in the very early stages entrepreneurs are busy developing their businesses, they do not have enough time to also consider internal accounting issues, such as cost management and cost allocation. For the first stages, they follow the flow of the business, and especially if things go well, they end up managing and allocating their costs according to external accountants' policies and procedures. But sometimes, after a while, some of them, for very different reasons, start to question themselves and their businesses: things are usually very hazy when it comes to internal accounting, entrepreneurs may be aware of their business' expenses, but they are not necessarily confident with sales forecast sales and financial statements analysis, for example.

To some extent, this is also commissioning company's case: after a few years of constant developments, founders see room for improvement in supporting decision making, therefore the support provided by the excel tool, developed by this thesis' author, could be crucial to lead the company to a sustainable and successful future. As economies shift and change rapidly, it becomes crucial for start-ups to be aware of the importance of managerial accounting: some of them may be looking for saving opportunities, some others may be considering outsourcing production or other business functions, either way gaining a deeper internal knowledge of the business, will serve as crucial support for their business decisions.

During his studies at Haaga Helia, the author has familiarised consistently with topics such as financial and managerial accounting. Especially during the second year of his studies, while he followed Business Controlling course and Financial Statement analysis course, his interest and passion for those essential topics increased, therefore the topic choice for his thesis was quite simple: an interesting mix of managerial and financial accounting.

Furthermore, while attending Selling to export markets, the author came in contact for the first time with the case company and given the positive outcome of the project and its interest towards the industry, the idea of writing his thesis for the same company became immediately a great option to pursue.

1.2 Project Objective and scope

This thesis aims to provide a market trend analysis tailored for each market the commissioning company is currently operating, as well as, building a managerial accounting excel tool to improve commissioning company's decision-making process. The project is carried out with the following project tasks:

PT1: Writing theoretical framework

Reading and writing about:

- managerial accounting
- market trends and segments
- financial statement analysis, profitability ratios, solvency ratios, liquidity ratios
- sales analysis, sales forecast, break-even point, target profit

PT2: Quantitative market analysis

- Descriptive research of low ABV drinks market in Finland and Hong Kong
- Descriptive research of low ABV drinks market in Denmark

PT3: Quantitative financial statement analysis

- Case company financial statement analysis, vertical and horizontal
- Profitability ratios analysis
- Liquidity ratios analysis
- Solvency ratio analysis

PT4: Sales analysis and sales forecast

- Sales analysis 2020
- Sales analysis 2021
- Sales forecast: 2022
- Sales forecast: 2023
- Sales forecast: 2024

PT5: Break-even point & target profit

- BEP point calculation (by product,)
- Target profit calculation

PT6: Adjustments to make tool presentable

- Final adjustments to the tool to ensure is presentable in the thesis
- Write about the process of producing the tool

PT7: Outcome analysis

- Assessment of the tool
- Recommendations for use in future
- Writing about the outcome

Table 1. Overlay matrix

<i>Project Task</i>	<i>Theoretical framework</i>	<i>Project management method</i>	<i>Outcome</i>
<i>PT1. Writing theoretical framework</i>	Managerial accounting, market trends & segments, financial statement analysis, profitability/liquidity/solvency ratios, sales analysis & forecast, break-event point, target profit, cost center allocation	Research	Chapter 2 The theoretical framework
<i>PT2. Quantitative market analysis</i>	Market trends and market segments	Research	Chapter 4
<i>PT3. Quantitative financial statements analysis</i>	Financial statement, profitability, liquidity, and solvency ratios	Quantitative analysis (excel)	Chapter 4
<i>PT4. Sales analysis and sales forecast</i>	Historical data analysis and forecast	Quantitative analysis (excel)	Chapter 4
<i>PT5. BEP and target profit,</i>	BEP and target profit,	Quantitative analysis (excel)	Chapter 4
<i>PT6. Adjustments to make tool presentable</i>	The outcome of previous tasks	Working with excel	Chapter 5
<i>PT7. Outcome analysis</i>	The outcome of previous tasks	Project and outcome analysis	Chapter 5

The outcomes of the project are expected to provide practical knowledge that will be then used to improve commissioning company's internal accounting procedures and to provide shareholders with a consistent financial understanding of their business.

The project scope consists of implementing a comprehensive, dynamic, and interactive managerial accounting tool, which is built from the ground up. The tool is implemented with excel, and the data comes from founders and company's accountant, as well. Access to deeper knowledge and data regarding case company is obtained also through several meetings with case company's founders. The tool includes different layers of analysis: financial statements, sales performance, sales forecast, break-even point, target profit.

1.3 International aspect and risks

The international aspect of the project is very simple to spot. Case company is a young organization aiming for international expansion, its products are currently sold in Hong Kong, Finland, and Denmark, as well. Communication throughout the project is carried in English to facilitate the author's work, however some translation from Finnish to English has been required, especially in the section regarding financial statements. Given its young and social spirit, the start-up has seen the chance to help a young international student, as the author is, very exciting and meaningful.

The biggest risk for the author of this project is collecting the data needed from commissioning company: accounting has been outsourced, therefore the process of collecting data might prove difficult and time consuming. Another risk for the author may be time management: in fact, while working on this project the author is having a full-time internship in the field of financial auditing, and this could make the writing process slower and longer. To mitigate this risk, careful scheduling has been applied to this project.

1.4 Expected results and benefits

This thesis work includes three main results. The first one is the actual output of the project: a comprehensive and interactive excel tool which can be used by the organization to improve its decision-making process. The resulting tool, at the same time, has the potential to speed up and ease lengthy processes, such as sales analysis or forecasting, for example. Lastly, and most importantly, the tool may lead case company to possible changes having the potential of improving organization's performance, as it supports management with more complete insights, which in turn may help with smooth and agile decision-making regarding business strategies.

The outcome of this project is expected to have a beneficial impact on the commissioning company, company's future finance department, and the author.

The author gains experience in the field of accounting and improves his skills in time management, project management, communication, academic writing, and research skills. Implementing a tool like this requires a great deal of professional competencies, such as careful project planning, and advanced MS Excel skills.

Furthermore, the tool may also be used for future finance employees; it may help them adapt and understand the business faster and better.

1.5 Key concepts

The concepts listed in this paragraph are the fundamental concepts on which the tool is built and based. First, the concepts of managerial accounting and financial statements analysis are defined, then the focus will switch to market analysis, and finally the concept of breakeven point is introduced. All these concepts are discussed more in depth in chapter 2, along with some other concepts.

Managerial accounting involves collecting, analysing, and reporting information about the operations and finances of a business. These reports are generally directed to the managers of a business, rather than to any external entities, such as shareholders or lenders. Unlike financial accounting, managerial accounting does not simply report what has happened, it also tries to explain why things have gone the way they did. (Braun & Tietz 2015, 20-22.)

Managerial accounting plays a significant role in decision making and corporate management. It is the primary means of implementing planning for control, reporting/interpreting, evaluating, and consulting as well as giving advice and support for budgeting, pricing, and making other special decisions. (Horngren et al. 2014, 32.)

Financial statement analysis is the use of analytical procedures to evaluate the financial health, risks, performance, and future potential of a business. The three most important financial statements that are generally used for financial statement analysis are: income statement, balance sheet and statement of cash flows. (Carlson 2021.)

Market analysis is an assessment tool that incorporates both quantitative and qualitative data to paint a clear picture of the tangible and intangible factors at play in an industry. It is usually developed to answer questions related to the following areas: market size, target customer, competitor environment, growing or contracting market, potential disruptors. (Mouhanna 2019.)

A company's **breakeven point** is the point at which its sales exactly cover its expenses. To compute a company's breakeven point in sales volume, the values of three variables must be known: fixed costs, costs that are independent of sales volume; variable costs, costs that are dependent on sales volume; selling price of the product. (Carlson 2020.)

2 Theoretical areas of the project

The objective of this chapter is to clarify the theory behind the managerial accounting tool. This chapter answers the questions why the tool is useful, where the analysed figures are coming from, what they mean, how they are formed and why the tool is built in this certain way. This chapter is essential for the reader to comprehend better the insights provided by the tool itself.

The theory is formed of four key areas influencing decision making in different ways and stages, too: financial accounting, financial statement analysis, managerial accounting, and market analysis. In this case, financial accounting provides historical data through financial statements, which will be then analysed to observe a comparison between two years via financial statement analysis; managerial accounting will provide precious and detailed internal knowledge and it defines why managers need this information and what they should focus on; market analysis will provide stakeholders with the knowledge regarding industry and market trends. The figure below displays how the main areas of the theory are interconnected.



Figure 1. Theoretical framework – Representation

2.1 Decision making and management

Usually, managers in organizations are responsible for planning, directing, and controlling, each of these activities is strongly connected to decision making. Planning means setting targets and deciding on how those targets may be achieved.

Directing means supervising operations using available information to establish the best course of action.

Controlling to its biggest extent, is estimating the current state of things, comparing it against the plan and if necessary, taking action to correct the course. For the purposes of this thesis, the most crucial of these are surely directing and controlling. Figure 2 below highlights how these responsibilities relate to each other and decision making. (Braun & Tietz 2015, 20-22.)

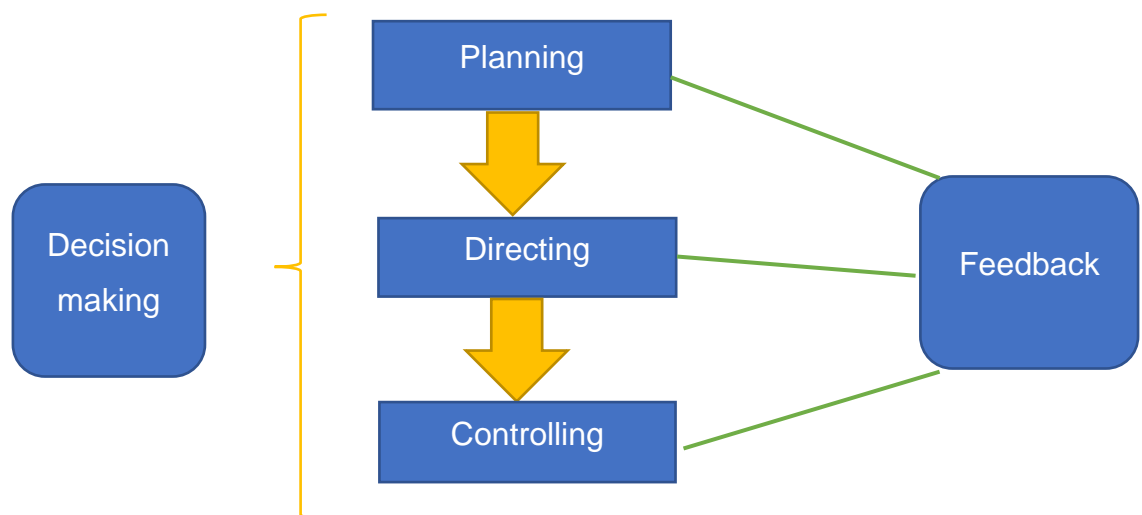


Figure 2. Managers' Three Primary Responsibilities (adapted from Braun and Tietz 2015, 20)

Certainly, providing data for short term decision making is one of the most important goals of managerial accounting. Several are the decisions managers may need to take: make or buy decisions, pricing decisions and many more.

For example, when managers must decide regarding producing a good or service in-house or to proceed with outsourcing, several are the factors influencing the decision: delivery time, cost, and profitability. Once again, even in this case the information provided by managerial accounting is crucial to take the best decision.

2.1.1 A balance between risk and return

All decisions in life seek to influence future outcomes and financial decisions are no exception. However, one thing is sure about the future: we cannot know for sure what is going to happen, there is always a risk that things will not turn out as planned.

As it happens in other situations of life, risk and return are often related. Business' shareholders should be aware of this relation since its implications are surely important. Usually, a minimum return is required to induce shareholders to invest, but an additional return will be required to see risks compensated: in other words, the higher the risk, the higher required return. Thus, future returns from an investment must be assessed in relation to the likely risks involved. (Atrill 2019, 14-15.)

As pandemic in combination with another financial crisis has shown us, the balance between risk and return is not always struck. Some banks have taken excessive risks in pursuit of higher returns and the consequences have been disastrous. (Atrill 2019, 14-15.)

2.2 Financial accounting

It is crucial to comprehend essential financial accounting concepts, since they are the base for many other concepts which will be introduced later in this thesis project. In fact, financial accounting, as the word suggests, has a strong relation with financial statement analysis and with managerial accounting, too.

Tulsian (2002) defines financial accounting as the process of identifying, measuring, recording, classifying, summarising, analysing, interpreting, and communicating the financial transactions and events. Its main purpose is to keep systematic records to ascertain financial performance and financial position and to communicate the accounting information to the interested parties.

In other words, Barker (2011, 7, 47) specifies that an accountant's job is to organize a mass of transactions into a set of accounts. Its job leads to the preparation of financial statements, high level summaries, as a single line may consist of hundreds of individual transactions.

Many of those single transactions are the focus of this project, but differently from financial accounting, the managerial accounting tool seeks to analyse and compare the information provided by financial accounting.

A key feature of the accounting information provided in the financial statements is its understandability. Any accounting information included in the financial statements must be understandable for its users. It is assumed that the users have adequate knowledge, at least, working knowledge of economic and accounting concepts, revealed in financial statements. (Lalitha & Rajasekaran 2010.)

Being understandable, however, it is not enough for accounting information: accountants are required to provide relevant information within financial statements. In case accounting information is not relevant though understandable, it will be useless. Information is considered relevant when it possesses the ability to influence the economic decisions of the users by helping them to assess past, present, or future events or confirming or correcting their past evaluations. (Lalitha & Rajasekaran 2010.) To be useful, information must be reliable, as well. Accounting information is considered reliable when it does not contain neither material error nor personal bias. Information must represent faithfully, what it aims to represent. (Lalitha & Rajasekaran 2010.) Horngren, Sundem, Elliott, and Philbrick (2012, 38.) affirm that to solve the issue of credibility of financial information, an honourable expert third party, financial auditor, is introduced to examine the financial information and provide certainty about the credibility of the statements.

2.2.1 Accounting legislation and standards

To tackle the issue related to reliability and uniformity of financial information, governments of developed countries have established their own accounting standards. These standards are known as: Generally Accepted Accounting Principles (GAAP). While their effectiveness is not in doubt, the issue of incomparability between companies from different countries persists. To solve this problem the International Accounting Standards Board (IASB) was formed in 2001. IASB's goal is to form a single set of high-quality standards, called IFRS or International Financial Reporting Standards, to simplify decision-making in the global capital market. (Harrison, Horngren, Thomas & Suwardy 2013, 7.) Currently, approximately 120 nations and reporting jurisdictions permit or require IFRS for domestic listed companies, although approximately 90 countries have fully conformed with IFRS as promulgated by the IASB and include a statement acknowledging such conformity in audit reports. (IFRS 2021.)

As the case company carries its operations in Finland, it is subject to Finnish accounting legislation. Finnish law recognizes IFRS standards and allows entities to follow them excluding some exceptions, which are not included in the scope of this thesis. Chapter 7a of the Accounting Act states that "A reporting entity referred to in section 2 subsection 1 may prepare its financial statements in accordance with international financial reporting standards." The case company holds one set of books or ledgers One ledger based on Finnish Accounting Standards.

2.2.2 System of book-keeping and basis of accounting

Accounting is based on a book-keeping system known as double entry. According to this system, each transaction is recorded under two aspects (i.e., debit or credit) and in two different accounts. With account, we mean the record of a person or thing or an item of income. (Tulsian 2002.)

Today we are used to seeing the terms debit and credit in accounting, their first use is linked to the Italian mathematician Fra Luca Pacioli who called them “Debito e Credito” in his book.

Every debit has an equal amount of credit. Therefore, the total of all debits must be equal to the total of all credits: this is what we call duality of a transaction. This duality is the basis of double entry records. As the name suggests, the entry made for each transaction is composed of two parts: one for debit and another for credit. (Tulsian 2002.)

Accounting may be executed following two different bases: cash and accrual. Tulsian (2002.) affirms that the accrual basis of accounting is a method of recording transactions by which revenue, cash, assets, and liabilities are reflected in the accounts for the period in which they accrue.

This basis is valid for any type of transaction also including deferrals, allocations, depreciation, and amortisation. Under the Companies Act 1956, all companies are required to maintain the books of accounts according to accrual basis of accounting. (Tulsian 2002.)

On the other hand, the cash basis of accounting is a method of recording transactions by which revenues, costs, assets, and liabilities are reflected in the accounts for the period in which actual cash is received or sent as payment. (Tulsian 2002.)

As the Companies Act 1956 states, also the case company of this project is required to maintain the books of accounts according to accrual basis of accounting, therefore accrual basis will be the only method recurring in this thesis project.

2.2.3 The concept of revenue

For this thesis project, sales analysis is included within managerial accounting, therefore it appears necessary to briefly introduce the concept of revenue in accounting and its distinctions.

Generally, in accounting with term revenue we mean the outcome of a sales transaction with a customer. To be more specific, to be recognized, revenue has to be earned and realizable. (Beil 2013, 2.)

However, the Conceptual Framework for Financial Reporting (paragraph 4.29) introduces and distinguishes two types of income: gains and revenue. Differently from Beil's definition, it affirms that “Revenue arises in the course of the ordinary activities of an entity

and is referred to by a variety of different names including sales, fees, interest, dividends, royalties, and rent.” One thing catches the attention of any reader here: unlike in Beil’s definition, sales are only one of the possible sources of revenue.

Another distinction between revenue and gains is provided by Harrison and al (2013, 13.): for them revenue is the outcome of normal business operations, while gains usually arise outside of the ordinary business operations. To clarify this distinction, they provide us with an example in which sales revenue is opposed to gains from a subsidiary sale.

On the other hand, The Conceptual Framework for Financial Reporting (paragraph 4.30) does not mark any sort of distinction but affirms that gains may or may not arise from ordinary courses of business. For the purposes of this thesis, both terms sales and revenue are used alternatively, however product sales is the only source of revenue relevant to this thesis.

2.2.4 The concept of income

Another key concept of this thesis project needing further introduction and clarification is certainly the concept of income.

The term ‘income’ has been defined in different ways by different people. For example, accountants and economists follow different approaches regarding income measurement. Usually, for accountants, the net income for the accounting period is the excess of revenues recognised during the period over the incurred expenses during the same period. Accounting concept of income is based on historical cost and not on current values. Tulsian (2002.) affirms that income is considered an ex-post income as the excess of the value of the capital for the current period over that of the base period with reference to future expected returns on current period basis.

The process of matching costs with revenues measures income. (Tulsian 2002.)

On the other hand, economists believe that income refers to the periodic benefits derived from the use of capital. Here the concept of income is based on current values and is measured by comparing the value of capital at two different dates. In other words, income is considered an ex-ante income as it is not based on historical cost but on current values, it is referring to the present value of the future expected returns on a base period basis. (Tulsian 2002.)

Given the scope of this thesis, the concept of income is following accountants’ approach, and it is simply considered as the excess of revenues over incurred costs during the same accounting period.

2.3 Financial statement analysis

As mentioned in paragraph 2.2 financial accounting provides information regarding business performance across a given period. The ultimate outcome of financial accounting is the publication of financial statements: income statement, balance sheet and cashflow statement. With the support of other disclosures, these financial statements help users to make economic decisions. Since evaluating a company by analysing only one year performance is not enough, financial statements always contain comparative figures of at least two periods, this allows the creditor or investor to have a better picture regarding the company they are assessing.

One of the most common tools to evaluate companies' performance is financial statement analysis. This tool may include several approaches of analysis: year on year changes, common size analysis and financial ratios analysis. All these types of analysis aim to help users to make an economic decision on the financial position and performance of a business. (Harrison, Horngren, Thomas & Suwardy 2013, 746.)

Very often, investors use financial statements to assess the viability of investing in a business. Financial analyses are often used by investors and are prepared by external professionals (financial analysts), to provide them with the basis for making investment decisions. Financial institutions (banks and other lending companies) use them to decide whether to grant a business with some fresh capital or extend debt securities to finance expansion and other significant investments. Financial statements are also needed by tax authorities from governments to ensure the propriety and accuracy of taxes and other duties declared and paid by a company.

2.3.1 A brief overview of the three main financial statements

As mentioned in the previous paragraph, financial reporting aims at the publication of financial statements: balance sheet, income statement and cashflow statement. For the purposes of this thesis, a brief overview regarding the three main financial statements is required, to help the reader achieve a comprehensive understanding regarding the analysis included in this thesis project.

The balance sheet is very often compared to a snapshot in time: it presents the financial picture of the organization on one day, a point in time, the moment it was written. The Balance Sheet describes: what the enterprise has today, *assets*; how much the enterprise owes today, *liabilities*; what the enterprise is worth today, *equity*. (Ittelson 2009.)

Short-term assets such as cash and accounts receivable may show a lot about a company's operational efficiency; liabilities show how the company is paying off debt capital for its investment or expenditures; and shareholder's equity includes details on shared capital investments and retained earnings deriving from previous net income. The

balance sheet must balance assets and liabilities to equal shareholder's equity. (Ittelson 2009.)

On the other hand, income statement provides a breakdown of revenue earned by a company against its expenses incurred to produce its product or services, and the other expenses for the period. The Income Statement gives one important perspective on the health of a business: its profitability, but it does fail to show the whole picture regarding a company's financial health. Income statement's structure usually includes three parts that help to establish business efficiency at three different points. It starts with revenue and the direct costs associated with revenue to calculate gross profit. Then it moves to operating profit, which subtracts operating expenses such as marketing costs, general costs, and depreciation. Finally, after deducting taxes and interest, the net income is reached. (Ittelson 2009.)

A company's Cash Flow Statement is often compared to a check register recording all the company's transactions that involve cash or supply cash. In other words, it tracks the movement of cash within the business over a period. The cash flow statement provides an overview of the company's cash flows from all its activities: operating, investing, and financing activities. Operating activities include the normal day to day business activities: producing and selling a product, for example. Like its title says, investing activities include cash flows involved with investments, such as buying a manufacturing facility and machinery to make products. The financing activities section includes cash flow from both debt and equity financing. The bottom line shows how much cash a company has available.

A positive cash flow for a period means the company has increased its amount of cash at the end of the period compared to the beginning. On the other hand, a negative cash flow for a period means that the company holds less cash at the end of the period than at the beginning. If a company has a continuing negative cash flow, it carries the risk of running out of cash and not being able to pay its obligations when due. (Ittelson 2009.)

2.3.2 Modus operandi of financial statement analysis

Before introducing how financial statement analysis may be carried, a clarification regarding two different types of analysis is required. Depending on who executes the analysis, financial statement analysis may be external or internal.

The external analysis is executed by outsiders who do not have access to detailed internal accounting records of the firm. These outsiders may include current investors, potential new investors, creditors, government agencies and many more. For financial analysis these external parties to the firm base their knowledge entirely on the published statements.

Differently from external analysis, internal analysis is conducted by persons who have access to the internal accounting records of a business. This type of analysis can therefore be performed by executives and employees of the organization, as well as government agencies. Usually, financial analysis for the managerial purpose is the internal type of analysis, and this is also the case of this thesis' author, and his financial statement analysis of commissioning company.

Based on *modus operandi*, financial statement analysis may be executed using the following techniques: vertical, horizontal and ratio analysis.

Horizontal analysis is a comparison of financial data of a company for several years. The figures for this type of analysis are presented horizontally over the number of columns. The figures of various years are compared with the base year. This type of analysis is also known as "Dynamic Analysis" as it is based on the data from multiple years rather than on data from only one year. (Ittelson 2009.)

Vertical analysis instead, is a study of the relationship between various items in the financial statements of one accounting period. In this type of analysis, the figures formed in the financial statements of a year are compared with a base selected from the same year statements. It is also known as "Statical Analysis" or "common size". (Ittelson 2009.)

Ratio analysis is a technique of analysis and interpretation of financial statements. It is a process of establishing and interpreting various ratios for support in certain decisions. It is only a tool used to better comprehend and spot financial strengths and weaknesses of a firm. (Ittelson 2009.)

For the scope and purpose of this thesis, the author focuses his attention only on profitability, solvency, and liquidity ratios.

As mentioned in the previous paragraph, income statements highlight a company's profitability over a period, therefore profitability ratios compare income statement accounts and categories to show a company's ability to generate profits from its operations.

Profitability ratios focus on a company's return on investment in inventory and other assets. These ratios show how well companies can achieve profits from their operations. (Hayes 2021.)

Liquidity ratios highlight the company's ability to meet its short-term obligations. Liquidity risks are related to the lack of assets so that the company is not able to cover short term debts and other obligations. Liquidity risks are effectively managed by implementing a plan to control current assets and current liabilities. The goals of managing liquidity risks are to avoid a situation where the company is not able to meet its short-term liabilities but on the other hand to avoid over-investment. (Hayes 2021.)

Solvency ratios are key metrics used to measure a company's ability to meet its long-term debt obligations and are very often used by prospective business lenders. A solvency ratio indicates whether a company's cash flow is sufficient to meet its long-term liabilities and

therefore is a measure of its financial health. An unfavourable ratio may indicate that a company is somehow likely to default on its debt obligations. (Hayes 2021.)

2.4 Managerial accounting

As it has been explained before in this thesis, managerial accounting and financial accounting are very different.

While financial accounting focuses on providing shareholders and lenders with the information needed to assess investment or lending decisions, managerial accounting focuses its efforts on providing management with the necessary information to run the company smoothly and efficiently. (Braun & Tietz 2015, 21.)

Furthermore, managerial accounting does not follow standards or regulations, so organizations can freely choose how to generate and use the information. The purposes of managerial accounting information are various including developing strategy, planning, controlling, information supply, funding, and governance.

Another substantial difference between financial accounting and managerial accounting lies in the perspective. While financial accounting holds a retroactive perspective, in fact financial statements are based on past figures and facts; managerial accounting and its reports focus on the future, providing relevant information that supports managers making profitable business decisions. (Braun & Tietz 2015, 22.)

Originally managerial accounting was developed by industrialists during the industrial revolution in the 19th and 20th centuries. In those years the information was mainly used to establish how resources could be best used to generate bigger profits. However, since then various managerial accounting techniques, such as forecasting and business analytics, have been invented to support businesses operating in increasingly complex and fast markets. (Atrill 2019, 15-16.)

Today managerial accounting is seen a bit differently, therefore the Institute of Management Accountants (2008, 1), has introduced a new definition of management accounting:

“Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization’s strategy”.

Braun and Tietz (2015, 25) follow the same approach by contemplating that since management accountants are not dealing so much with mechanical routine tasks centred on recording past transactions, their role is shifting towards business analytics supporting business decisions with their data. Furthermore, they add that it is still a management

accountant's duty to ensure that financial records are fairly reflecting the company's performance.

2.4.1 New approach to managerial accounting and its versatility

Managerial accounting information used by different managers belonging to different departments to make decisions, is provided by a variety of accounting personnel. In fact, managerial accounting information can be provided by a controller, a plant accountant, a cost accountant, a financial analyst, a budget or cost analyst, a general accountant, or even a chief financial officer. Furthermore, these accountants aren't necessarily located in the accounting department. For example, a consistent number of organizations prefer to locate accounting personnel within the operating departments, where they can have a direct view on the business processes they are supporting. (Davis, 2011.)

Two studies conducted by the Institute of Management Accountants: *The Practice Analysis of Management Accounting* (1995) and *Counting More, Counting Less: Transformations in the Management Accounting Profession* (1999) are significant to comprehend what functions are covered by controller or cost accountant. The authors of these studies found that preparers of managerial accounting information are no longer dealing solely with numbers, but they are also taking part in the decision-making process. Their ability to analyse data and to interpret financial and operating data is becoming more and more valuable.

As it stands now, any controller working in any type of organization would be telling the same story: the time spent analysing information and making decisions has increased, and it is expected to increase more. Furthermore, these days controllers are also spending more time doing strategic planning and internal consulting and less time preparing standard financial reports than in the past. (Davis, 2011.)

As it stands now, the commissioning company does not have any professional working on managerial accounting, therefore the contribution provided by the managerial accounting tool within this project could prove very useful.

2.4.2 Controlling: budgeting

Budgeting is certainly one of the tasks a controller may have to handle during a financial year, in fact a budget also helps with the controlling aspect: it is often used as a benchmark for performance. Controlling is made somewhat more straightforward when performance can be measured against numerical figures. (Braun & Tietz 2015, 523.) Braun and Tietz (2015, 521-522) define budget as a "quantitative expression of a plan". They define the budget process as something that begins with strategic planning, proceeds then with a loose long-term budget, from which are then formed short-term

budgets of one fiscal year. These annual budgets are then broken down to monthly budgets. Braun and Tietz (2015, 522) also specify that many companies use alternatively budgeted and actual figures from the previous year as the basis of the new budget and make adjustments for certain features such as new sales areas, products or customers, changes in costs, and even the effects of changes in competition.

Groot and Selto (2013, 143) follow the same line when they define budgets as quantitative expressions of planned in and outflows of money driven by business activities, which in turn are shaped by business objectives. Furthermore, they add that budgets are used specially to support the planning and control aspects of management.

Several are the aspects of planning which can be helped by budgets: Braun and Tietz (2015, 523) mention that managers must think their plans through in much more detail if they must participate in budgeting. Another benefit they highlight is communication: here budgets serve as a tool to partly communicate company strategies to employees.

Groot and Selto (2013, 144) identify another significant benefit of budgets: they help to explain causal relationships between planned activities and future financial position. They also state that this links directly to the coordination of different organizational functions.

Braun & Tietz (2015, 592) support this way of thinking and provide us with the example of how launching new products might affect marketing, sales, production, and customer service teams' activities. All of this may and should be illustrated in a budget.

The manager accounting tool developed by the author of this thesis, is going to play an important role in the controlling of the case company, as it will allow benchmarking actual revenues against both budget and previous year's figures.

2.4.3 Sales performance analysis

Sales are crucial for any type of business, therefore holding a sales budget and comparing budgeted figures against actual revenues is crucial to assess a company's performance.

Sales analysis is a fundamental part included in the managerial accounting tool developed during this thesis project. The insight provided by sales analysis will be precious information to establish commissioning company's selling trends and to identify strengths and weaknesses. As the commissioning company is expanding into different markets and is launching new products, perhaps this spring, having an historical view of its sales and selling patterns will prove extremely useful to develop successful strategies.

From a theoretical point of view, sales performance evaluation may be executed referring to internal and external factors. A study conducted by Zallocco, Bolman, Pullins, and Mallin (2009, 605-606) divides sales performance measurements in four categories, which are explained below, and described in figure 3.

- Internally oriented effectiveness measures, such as sales volumes, presentation skills and so on.
- Internally oriented efficiency measures which measure productivity, profitability, gross margin and so on.
- Externally oriented effectiveness tools including customer feedback, market share and number of customers.
- Externally oriented efficiency measures, which include closing ratios per number of calls and presentation. The matrix below captures these four measurement groups.

Externally oriented Marketplace Metrics	Sales volume Mix Change Presentation Skills Listening Skills	Productivity Profitability Gross Margin Number of sales calls/meetings
	Customer feedback Market share Number of customers Number of new accounts	Closing ratio Sales penetration by account
Effectiveness Outcomes		Efficiency Effort

Figure 3. Performance measurement categories (adapted from Zallocco & al. 2009, 606)

For this thesis purposes, the tool will offer only internally oriented efficiency metrics, since the sales data is coming from the different distributors selling the products on behalf of the company. Sales volume will be the only efficiency-related metric used. In the case of this thesis, the data included in performance evaluation is entirely qualitative data, although performance evaluation may be based on both qualitative and quantitative data.

2.5 Market analysis

When businesses are facing the dilemma whether to enter a specific market with their product or not, market analysis plays a big role in finding the needed answers.

Very often, market analysis is used by businesses as a tool to analyse a potential market to find out how viable such a market is, with regard to the product that the company has to offer. As such, it can be used by those companies with a product or service they want to introduce into the market. This type of analysis will help businesses identify the strongest markets and enable them to allocate their resources more effectively. (Ejim, 2022.)

One of the reasons for conducting a market analysis could be for the purpose of identifying potential customers in a new or already existing geographical location. For instance, if a company based in Finland has a new product it wants to introduce into the market, it will first carry out a market potential analysis within Finnish borders to identify the potential customers. The analysis might span several cities or several regions. The result will inform the company of the areas of concentration based on where the most potential customers are located. (Ejim, 2022.)

On the other hand, the same company could also carry out a market potential analysis of other geographical locations when it is thinking of expanding sales. Such a move is necessary due to the increase in globalization seen especially in the last twenty years and the advantages offered by international trade. As such, the company might conduct a market analysis of several countries. The result of the analysis will reveal to the company where the greatest cluster of potential customers are located. This information will allow the company to focus on the markets with the greatest potential in terms of customer base. (Ejim, 2022.)

Furthermore, another different reason for conducting a market analysis could be to find out where there might be a pool of untapped resources or potential. In these cases, transition to such a market might require a combination of market analysis, strategic design management, and effective marketing targeted to that specific market to benefit from it. For instance, a company producing a certain type of product that does very well in one market might also benefit from packaging or designing the product in a manner that it will be accepted by other markets. (Ejim, 2022.)

For the purposes of this thesis, the concept of market analysis is briefly introduced here to provide the reader with a general background regarding this technique used by businesses to assess their chances in specific markets.

The case company analysis of market trends will follow in detail in chapter four, with the aim of highlighting significant trends spotted during the desktop research conducted by the author regarding low ABV drinks market trend within the three different markets case company's products are currently being sold: Hong Kong, Finland and Denmark.

3 Project overview

This chapter allows the reader to see how the thesis project is planned, what methods are used to execute the project and build the tool. However, this chapter does not include an evaluation of the project, which can be found in chapter 5.

3.1 Project design

This project includes three main tasks: writing the theory base for the tool, implementing the tool on excel, and writing about the implementation of the tool.

The timeline is planned in such a way, that after finishing the written and practical work the author would have a three-week period to conclude activities, such as grammar and language check, before the final submission.

The Gantt chart, presented in the figure below, provides the reader with a snapshot regarding the three main tasks. For a more detailed schedule, tasks have been broken down to seven project tasks, which have then been broken down to sub-tasks. As the figure 1 shows, the three main tasks are planned to be executed simultaneously at times, due to the fact that the entire thesis project is carried out during the author's working hours. Some room is left for a delay: the project is planned for the period from January to May 2022, however in accordance with the author's advisor, in case of necessity, the deadline for the project closing may be moved to September 2022.

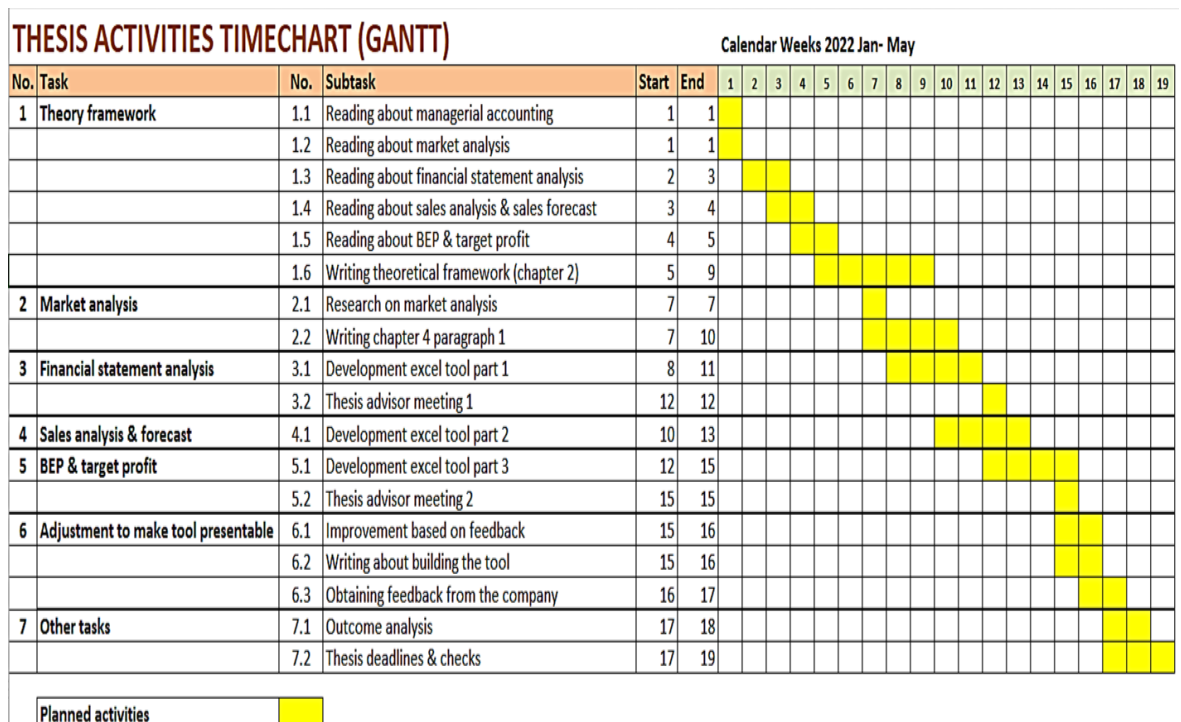


Figure 4. Gantt chart for scheduled thesis activities

3.2 Project methods

The tool is built using only internal data provided by the commissioning company, however within task 1 and task 2, the information is accessed by the author through desktop research. The project task number one, the theoretical framework, is conducted via desktop research. As chapter 2 shows, the research covers the following topics: managerial accounting, market analysis, financial statement analysis, sales analysis and forecast, break-even point, and target profit. This theory forms the base on which the tool is built, as it covers the theory of what the tool contains, and what the figures in the tool mean. While the tool itself uses quantitative data, the information used to implement it is qualitative. The origins and meaning of the quantitative data are explained in depth in chapter 2 and the calculations done in the tool are described in chapter 4. The qualitative data is collected through analysis of internal data provided by the commissioning company, after a non-disclosure agreement was signed between the two parties involved in this project. Then, during task 6 & 7, the tool will be presented to the commissioning company to receive feedback and to work on other possible visuals to present the tool in the best way possible, for thesis context and case company's purposes, too. The figure 3 below illustrates how the project tasks are planned out and what methods are used to implement them.

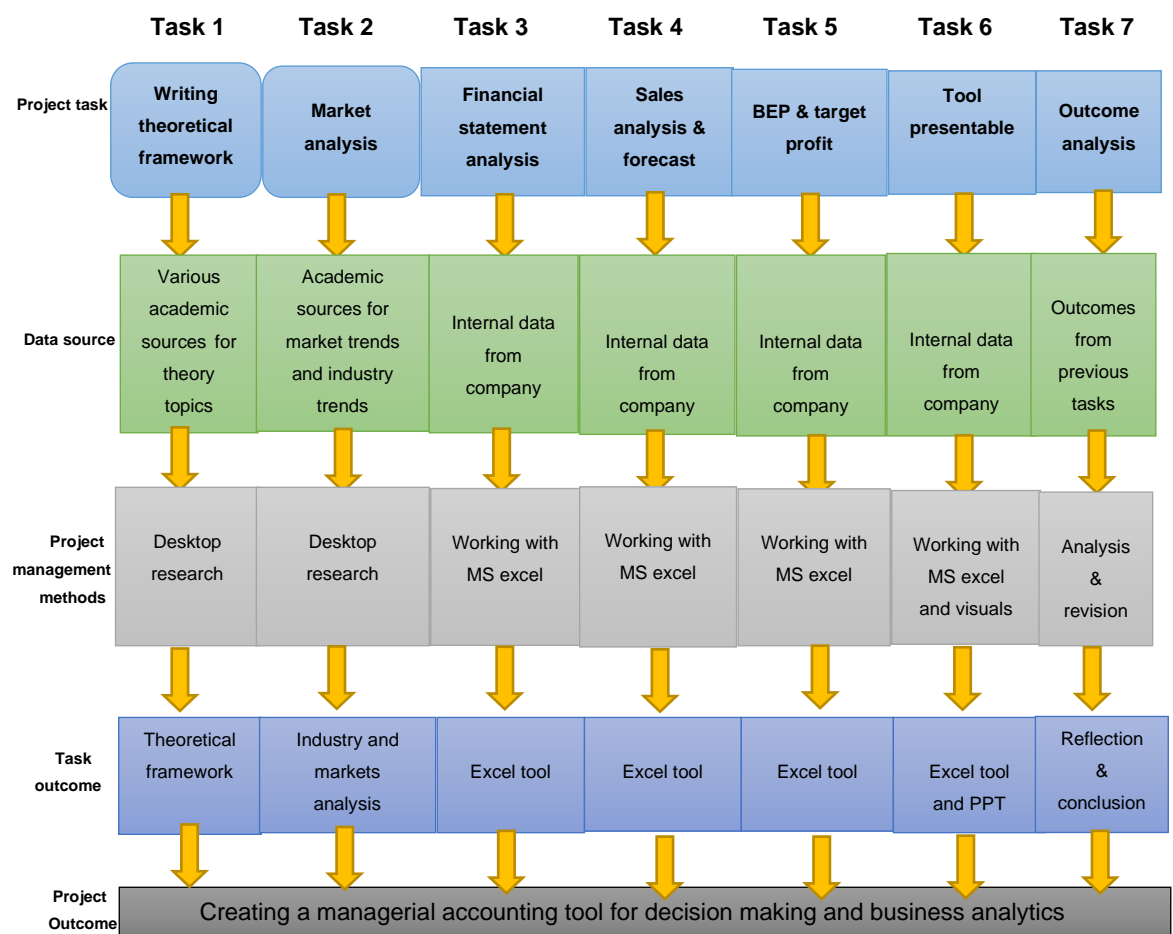


Figure 3. Thesis project design

4 Low and no alcohol market analysis worldwide

According to a new study published by IWSR Drinks Market Analysis, no- and low-alcohol drinks grew by more than 6% in volume in 10 key global markets in 2021, and now hold a 3.5% volume share of the industry, a constant increase in the last few years from being a rarity just ten years back. (Feilden, 2022.)

The graph below shows what is people's opinion in different countries regarding low alcohol options becoming more popular than alcoholic drinks. The percentage shown in the graphs shows the amount of people thinking that low- alcohol options may become more popular than traditional alcoholic beverages. (Clifford, 2018.)

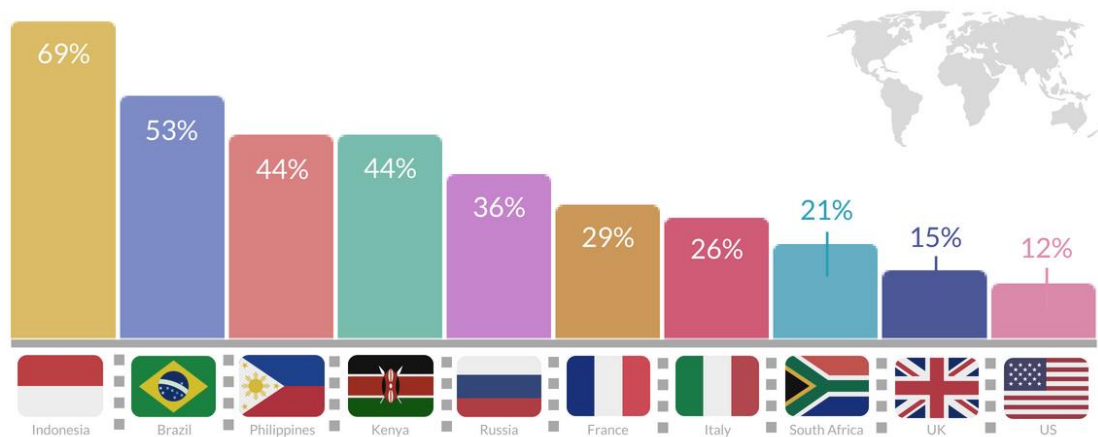


Figure 4. Low – alcohol options becoming more popular than alcoholic drinks (adapted from Streetbees, 2018.)

IWSR's forecast is very positive and encouraging, in fact it expects that no- and low-alcohol volume will grow by 8% CAGR between 2021 and 2025, in comparison with regular alcohol volume growth of 0.7% CAGR during that same period. (Feilden, 2022.)

To meet that growing demand, beverage alcohol companies have invested heavily to introduce various innovative products, and many established mainstream brands have recently begun to develop no/low alcohol versions of their popular wines, spirits, and beers.

Simultaneously, well-established brands are joining the trend, developing alcohol-free alternatives to their popular offerings. The latest to step into the trend is the Italian company Martini and Rossi. (Feilden, 2022.)

Martini and Rossi has introduced two non-alcoholic vermouths, Floreale and Vibrante, a classy attempt to attract mindful drinkers' attention and desire. Following the same wave,

William Grant & Sons created Atopia, a new 0.5% ABV spirit launched in 2021. (Feilden, 2022.)

Wine and spirits supplier Enotria & Coe described non-alcoholic and low alcohol drinks as the current biggest growth category. The supplier's sales of no- and low- products was up 70% in 2020, and up a further 35% in 2021. (Feilden, 2022.)

In the same market, in an attempt to catch this new wave, the commissioning company for this thesis was launched: the company entered the Finnish market with a 15% ABV distilled spirit flavoured, and it was immediately a hit for Finns.

4.1 Strongest trends in the industry

Here in this paragraph the reader may enjoy an overview regarding the biggest current trends in the alcohol industry. The trends below have been identified through a detailed analysis on the current alcohol beverage industry. The trends have been noted worldwide, therefore they apply well for the alcohol industry in Finland, Denmark, and Hong Kong as well.

Celebrity alcohol brands. In the last few years things have changed radically when it comes to celebrity and alcohol combo. Only few years ago celebrities were merely willing to endorse alcohol brands, but these days are now over, it seems. Now, many stars want to launch and grow their own products, or at least take a leadership role in the manufacture and marketing. In this scenario, we are not surprised to see names like George Clooney, Bethenny Frankel, Lisa Vanderpump and Conor McGregor founding extremely successful alcohol brands that generated strong sales and financial windfalls. (Swartz, 2021.)

Ready To Drink (RTD) beverages. These products usually are beer, cider, long drinks, or different kinds of low alcohol products, extremely popular among young adult women who consider RTD's to be their party drink. In the wine market bottles are getting smaller to attract younger consumers and to increase the number of drinking occasions in general. The key reasons for consumers to choose RTD are mainly the desire for healthier products with lower levels of alcohol along with desire to socialize, increasing demand for more flavours, especially sweeter and fruitier. (Swartz, 2021.)

Sustainability matters. With the pandemic changing dynamics of our lives, consumers began to google everything they drank, thus they also learned more about the industry's environmental impacts. Sustainable alcohol was already a trend before Covid-19, but the health crisis greatly increased consumer awareness regarding this global issue. Thanks to our lives spent remotely and apart from each other, consumers may now learn about the Napa Valley fires in real time, for example. They also learn about agave shortages, the

carbon footprint of glass and the distilleries that embrace solar power. In turn, more alcohol companies have progressed and invested heavily into actions that benefit the environment to achieve a better reputation and therefore attract more responsible consumers. (Swartz, 2021.)

Healthier alternatives. The female market is being strongly targeted by alcohol producers these days, especially in Western countries the distillers are increasingly looking to the female market for growth and are building product concepts on the growing reputation of spirits as a healthier alternative to beer. However, despite traditional beer, niche products and craft continuing their steady growth, there is a noticeable trend of “healthy products”, drinks that have functional benefits. Those kinds of products may be for example mixes of alcohol with health-related ingredients. (Swartz, 2021.)

The whiskey boom. The so-called whiskey boom is a trend rising along with alcohol nerdism. Particularly with whiskey, consumers today geek out over what they drink, the pandemic played a big part in this, indeed. People stuck at home had plenty of time to research everything, sharing their thoughts and passions on social media. Today there is so much information available through social media and influencers, that the consumer has never been better educated, when it comes to alcohol in general and more specifically whiskey. Consumers are no longer satisfied with the basic production information. They want to know the specifics of the mash bill, where the corn came from, where in the warehouse the barrels rested, in other words: they are more interested than ever in the products’ specifics. (Swartz, 2021.)

Colours. According to Rislakki (2004) the colour-thinking has arrived from Japan to Europe. In Japan it is a common belief that one should, daily, enjoy something with each of the following colours: blue, green, white, red, and yellow. Rislakki (2004) mentions as an example the product family of Finlandia Vodka that offers different flavours according to these colours. It is a matter of providing a colour for each feeling and situation. (Swartz, 2021.)

Cannabis beverages. A smaller trend still gaining popularity is cannabis drinks. As recreational pot passes in more states, and receives more positive attention at the federal level, THC and CBD beverages will continue to gain shelf space at dispensaries and alcohol retailers. (Swartz, 2021.)

THC and CBD beverages have wisely stepped into this trend with products that promote sleep, energy, relaxation, pain relief and other benefits. Hence why so many cannabis beverages now look like high-end bottled water. The point is not the flavour or colour; the goal is for cannabis beverages to fit naturally into our everyday life. This last trend is perhaps the newest and therefore its future success is yet to be seen and experienced, but the prospects are looking promising. (Swartz, 2021.)

4.2 Alcohol market in Finland: historical background

In Finland, Alko has a monopoly in retail sales of alcohol with some exceptions (Finlex, 2017). The Alcohol Act aims to prevent negative effects caused by alcohol. In 2018, due to the reform of alcohol legislation, many features changed in selling and marketing alcoholic beverages (Valvira, 2018).

The new Alcohol Act came into effect on March 1, 2018, with part of the amendments already coming into effect on January 1, 2018. Since January 2018, all alcoholic beverages containing up to 5.5% alcohol by volume (ABV) have been permitted to be sold in grocery stores. Before the amendment, the limit was 4.7%. The principle of the reform is to continue the retail monopoly of Alko and current licensing systems (Finnish Ministry of Social Affairs and Health, 2019). The purpose of the reform is that in the New Act the Decrees are integrated comprehensively. It also aims to disassemble unnecessary, outdated, and stiff norms included in the old legislation.

In the last thirty years, multiple and various changes have influenced the Finnish alcohol market. Among these changes, three have affected the trends of alcohol consumption, each in different directions.

First, followed by a robust economic upswing in the second half of the 1980s, Finland experienced a severe economic recession in the first half of the 1990s.

Secondly, in January 1995 Finland joined the European Union (EU), which presupposed a new Alcohol Act, obtained only in 2018. This Act ended an era of six decades of a comprehensive alcohol monopoly system, but the Finnish State alcohol monopoly Alko was still left with the sole right of off-premises retail sale of alcoholic beverages.

And thirdly, in 2004, travellers' alcohol import quotas from other EU member states were abandoned in January, alcohol excise duties were decreased by an average of one-third in March, and Estonia became a member of the EU in May. (Karlsson, Makelä, Osteberg, Tigerstedt, 2010.)

Finland has seen an almost continuous growth in total alcohol consumption since the Second World War, and after a strong peak in recorded alcohol consumption in the late 1980s, boosted by a strong economic expansion, the level of total alcohol consumption in Finland reached nearly 9 litres of 100 percent alcohol per capita in 2009 (Karlsson, 2009.) At the beginning of the 1990s, total alcohol consumption saw a consistent decrease caused by the decrease in people's purchasing power. This was caused by a severe economic recession when the total alcohol consumption per capita decreased by 11 per cent from 1990 to 1994. The decline in alcohol consumption in the early 1990s was followed by a 10 per cent increase in total alcohol consumption per capita in 1995. The main cause for this increase was an increase in travellers' duty-free alcohol import quotas for beer and wine.

Figure 5. Adult alcohol consumption in litres per capita (adapted from WHO, 2021.)

Around half a million people in Finland drink well above the risk limit, according to the Finnish Institute for Health and Welfare (THL). Nearly 80 percent of alcohol consumption is classed as hazardous use, which occurs when the drinking limit is exceeded or when alcohol is consumed by risk users. (Yle, 2021.)

in Finnish mainstream culture, the concept of celebrating and partying without alcohol is not included at all. Or if this happens at times, it's very marginalised. Finns love to sing karaoke, but this generally happens only after having some drinks. Finns love to take over the dance floor, but they need to get tipsy to unleash their free souls.

Although being sober at parties is still considered an anomaly, Finns' drinking habits and way of drinking have seen some changes in the last decade. Researchers have found that alcohol consumption among people in Finland has steadily declined since 2007. Almost one in three young adults in Finland said they don't drink alcohol at all, up from 16 percent in 2018 and 12 percent in 2016, according to a 2020 survey conducted for the Finnish Federation of the Brewing and Soft Drinks industry. (Yle, 2021.)

Surely this change is the result of a combination of factors: alcohol having lost its cool status, parents having stricter attitudes towards drinking and younger people having better and more cultured ways to be rebels, through social media, for example. Government policies have also played a crucial role in the steady decline of alcohol's popularity.

Finnish alcohol laws are among the strictest in Europe, with a 9pm purchase curfew and supermarket ban on selling products with alcohol content exceeding 5.5 percent. Products above the 5.5 volume mark are only available at state-owned Alko stores. (Yle, 2021.)

In this complex scenario where drinking alcohol is decreasing, a niche drinking culture has begun to flourish, low ABV spirits and beverages drinkers.

More and more Finns choose to drink more consciously: one quality drink with low alcohol percentage instead of binge drinking! In other words, drinking is changing and so do the spirits: now they are lighter on ethanol, and they focus more on flavour and experience. (Spiritedzine, 2021.)

In this context, the case company believes it has perhaps found the sweet spot in the low-alcohol spirits market with its 15% ABV distilled spirit.

The founders saw the opportunity for a spirit that fits somewhere traditional strength spirits and alcohol-free products. The first product contains 15% content of alcohol: just enough alcohol content to still feel it and at the same time to enjoy the flavour.

In other words, a sweet spot in the market from the young start-up, usually the choices have been between traditional spirits and alcohol-free options, now Finns have a third choice between all or nothing, and it tastes great. (Arthur, 2020.)

4.3 Hong Kong: cocktail capital for Käska

Caught up in a rush to the future, Hong Kong is a city that rarely makes room for the past, behind the bar or anywhere else. This extremely busy city populated by seven million people, which now glitters with the glass and steel towers that crowd the banks of Victoria Harbour, was ignored for centuries as a barren rock of an island. Only after the second World War the former British colony developed into a world-class city, a commercial and financial hub, where new developments foster quickly and there is no time to be sentimental about the past. (Freedman, 2012.)

Alcoholic beverages are easily accessible in Hong Kong. They are available for sale in retail shops such as supermarkets and convenience stores, and in premises granted with liquor licence including some restaurants and bars. There are also a variety of alcoholic beverages on the market, such as beer, wine, spirits, Chinese rice wine and sake.

Like most countries around the world, Hong Kong has a minimum legal age of purchasing alcohol, in this case, that age is 18.

In the past few years, however, Hong Kong's drinks culture has finally begun to make a strong statement. As the quality of the available tea, spirits and beer has improved, the city's unique mix of Eastern and Western cultures is starting to bear fruit for local drinkers, producing a mix of flavours and an aesthetic that is unique to this vibrant, culturally mixed city. (Freedman, 2012.)

Tea is surely one of the few things to have a history in Hong Kong. For centuries, teahouses were the city's social, cultural, and commercial hubs. Tea brought the British to Hong Kong in the 1800s, once again it was tea that fostered the colony that they established. In fact, it would not be much of a stretch to say that Hong Kong's entire modern era was built on tea and on the fusion of cultures that came from it: today tea is still the first-choice beverage. (Freedman, 2012.)

Traditionally the tea was dark bo lei, or pu-erh, as well as some delicate oolongs and green teas. But a bit later, when the British introduced the tradition of drinking black tea with milk and sugar, Hong Kongers began to drink what is arguably the city's signature beverage, Hong Kong-style milk tea. But by the 1950s, it had become a popular drink, served at cha chan tans, small tea stands that proliferated around the city. Many of these stands are still present on the market today, using their original recipes. (Freedman, 2012.)

Milk tea is also the base for another Hong Kong classic, yuan yang, a mixture of milk tea and coffee. Things changed when Chinese leader Deng Xiaoping loosened travel restrictions to the Chinese countryside in the 1980s, therefore Hong Kong was able to develop a market for high-quality, single-estate teas. From the late '80s, thousands of tea lovers began traveling to China's most famous tea regions. (Freedman, 2012.)

Despite being partially a British city, Hong Kong's beer selection was not shining for neither quality nor variety. Due to a punishing import duty on alcohol that was only lifted in 2008, most bars offered a poor list consisting of mainly European macro brews, although Hong Kongers seem to love beer quite much, in fact they drink just under six gallons per capita each year. But following the abolition of the tariff, a wide variety of beers has started to appear in a few tailored pubs. Many other pubs began to import beers from abroad, therefore Hong Kongers were finally able to drink beers like Sierra Nevada and other American beers which were not available before. This is followed by the first appearance of a local craft-brewing scene. For example, East End Brewery works with the small Hong Kong Brewing Company to create two house beers, a Vienna Lager and a Pale Ale.

Regarding beer option, the situation has certainly improved in Hong Kong, however it is fair to say that Hong Kongers are not yet able to enjoy the same quality in beers, as in most European cities, such as Berlin or Prague. (Freedman, 2012.)

As we have seen before, while the expatriate community has had only a small hand in the development of Hong Kong's tea market, it has been the driving force behind the city's cocktail revolution. Until recently, Hong Kong was a wasteland for cocktail lovers. As we would expect, for the city known as Asia's business and travel hub, the cocktail revolution took place in some of the city's best hotels. Its genesis can be traced back to the Mandarin Oriental in 2006, when the hotel hired bartenders and managers formerly of the Match Bar Group in London to renovate the hotel's cocktail menus and to train their staff. These cocktails quickly became popular among the city's sophisticated drinkers, and soon other bar owners followed the trend and hired talent from overseas to teach their staff. As Hong Kong can be seen as a village somehow, it is very easy to replicate a change across the whole village and this is what happened with cocktails, too. (Freedman, 2012.) Furthermore, for those who appreciate stronger, more western-style cocktails, the newest trend in the Hong Kong drinking scene is the arrival of several speakeasy-style bars. The most exclusive, 001, maintains a level of secrecy abandoned even in the modern speakeasy-style bars of New York. (Freedman, 2012.)

In addition to these more classical and traditional spots, a handful of bars offer cocktails made with techniques appropriated from molecular gastronomy. Following these new techniques new showy cocktails are developed for bars: lecithin is used to create frothy foams and calcium chloride to make "caviar" from juices and teas. The city's promoter and creator for this movement is Antonio Lai, a Hong Kong local. Some of his creations seem to be mostly about the showiness of the process, but others, like his Oolong Tea Gimlet, in which he uses carbon dioxide to give a blend of gin, grapefruit bitters and sweetened oolong tea a Champagne-like quality, are more toned-down in their delivery. (Freedman, 2012.)

Considering all that has been said so far in this paragraph, case company's choice to enter the Hong Kong market with its products can be seen both as risky and productive at the same time. Perhaps Hong Kong with its new cocktail culture is the perfect hub for case company products to flourish and to be mixed in those new cocktails recently created there, however at the same time, fierce competition must be considered. After its launch in Finland, the second step for the young start-up in Hong Kong highlights the versatility of the products able to fit well in among Finns having their sauna drinks or even among Hong Kongers hunting for the best cocktails. The choice of Hong Kong follows mainly two reasons: a strong faith and trust in partners in the area, and Hong Kong being one of the major cocktails' capitals in the world along with a strong cultural mix of world citizens.

For the purposes of this thesis, the reader will be able to see the first sales results achieved by case company in Hong Kong in the next chapter.

4.4 Denmark & Alcohol

Despite being a Scandinavian country, legislation regarding alcohol in Denmark is slightly different than in Finland or Sweden, for example.

Alcohol laws in Denmark differentiates spirits, beers, and wines. The age limit to purchase beer and wine in Denmark is 16 years in shops and 18 years in bars and restaurants. To be able to purchase alcohol with a percentage higher than 16.5%, the legal age in Denmark is 18 everywhere. (Alcohol & Drug report, 2022.)

Until 2003 Denmark held a legal ban on alcohol advertising on TV and radio channels but has since been rescinded. The self-regulatory code governing content accepted in 2000 follows the usual advertising guidelines stating that such adverts may not be targeted towards minors, suggesting that alcohol is healthy or improves mental or physical abilities. This code also forbids the association of alcohol and sports, sponsoring of sports events and sports fields by alcoholic beverages brands, as well as advertising in sports magazines. (Alcohol & Drug report, 2022.)

Since July 1st, 2014, tougher laws on driving under the influence allow police to confiscate the vehicles of first-time offenders. Motorists caught driving with a blood alcohol content of 0.21 percent and above can have their vehicles confiscated on the spot, as can drivers stopped with a 0.12 percent blood alcohol content who have a previous drunk driving infraction within the past three years. (The local, 2014.)

Drinking in public in Denmark is generally legal. The law bans disturbing of the public law and order. Thus, general consumption is accepted. (Alcohol & Drug report, 2022.)

If there's anything that has travelled its way into contemporary culture from Viking times, it's the ability of the Danish people to drink alcohol. The roots of Danish drinking culture

run deep. The importance of drinking culture in Denmark is highlighted from the legal drinking age in the country to the annual holidays and traditions. (Brown, 2022.)

Perhaps no other country in Europe holds this institutionalized adult drinking as much as Denmark. The calendar year in Denmark is fairly populated with social drinking days and traditions.

For example, the company Christmas lunch (Julefrokost) is surely something not to miss, if you live in Denmark. Every year, every workplace in the country organizes an employee dinner. The long-anticipated dinner boasts traditional Danish food and a lot of snaps. A Christmas lunch might start in the early afternoon, but the last person to make it home won't get there until noon the next day. In other words, this drinking marathon is something like the "pikkujoulu parties" Finns have. There will probably be dancing, and there will surely be barfing. This is the best chance for Danes to see their co-workers as they have never seen them before. So, by singing a Danish drinking song and making a Danish drinking toast, this is surely the best time to know their colleagues for Danes and bridge the otherwise awkward social barrier. (Brown, 2022.)

Another day marked in red in the Danish calendar is J-day. During this day, Tuborg, a Danish brewery, releases its annual Julebryg (Christmas beer). All-day, Danes across the land gather in bars, parks, and bodegas to await the launch of Tuborg's exclusive Christmas beer. The beer gets released at 8.59 pm, the first Friday of November, and can only be bought in November and December. A strong pilsner, the Julebryg goes well with traditional Danish Christmas food and is often used as a chaser for snaps during Christmas lunches. With J-Day the holiday season officially begins, with high spirits and a Danish drinking song. (Brown, 2022.)

And what year would it be with Denmark without annual summer festivals?!

Distortion, just one of the many festivals, is a street party occurring in each of the most popular inner-city districts. Each day for a week, the street festival moves to a different street.

Traffic gets blocked as DJs, food trucks, and beer kiosks hold the scene in the streets. While walking from one part of the street to the other, thousands of happy dancing Danes can be seen enjoying the various artists from techno to pop music. (Brown, 2022.)

The biggest festival in northern Europe occurs over two weeks close to Roskilde, Denmark. During those two weeks, the festival grounds become the 2nd biggest city in the country. Roskilde festival begins with a week of camping and partying before the music headliners arrive. Usually, the youth is the only group able to experience the entirety of Roskilde festival, and as Danes get older, they tire of this kind of juvenile overconsumption. (Brown, 2022.)

One of the core pillars of Danish culture might just be the freedom of the youth to drink to excess. According to the WHO, Danish teenagers drink more alcohol than any other

group in Europe. Danish 11-, 12, and 13-year-olds rank at the same alcohol consumption rate as the European average. Teenagers are encouraged to learn to drink while their parents are still there to take care of them and before they graduate into the world of adult consumption.

This period of life is celebrated with drinking traditions of its own. (Brown, 2022.)

According to many sources in the country, beer has been part of Danish culture for more than 5000 years. Perhaps, this is one reason why the Danes are known as great beer lovers. More than hundred breweries of Denmark are glad to offer people to try their beer. Carlsberg and Tuborg, the most famous breweries, were established in the 19th century and are still very popular. However, beer is not the only traditional Danish drink. Around Christmas, a very special time in Denmark, Danish people are usually drinking glögg, a drink made of wine, juice, and spices.

The World Health Association (WHO) reports that 45 percent of Danes prefer beer, while 39 per cent, wine; and 16 per cent, spirits. Overall, the consumption of alcohol in Denmark, according to WHO, is around 14 litres per capita per year. (Brown, 2022.)

Denmark has a long history of brewing and distilling. Despite being a nation known for its beer, Denmark is also becoming increasingly notable for an emerging cocktail bar scene. The number of cocktail bars has grown rapidly in recent years and Copenhagen these days holds some of the best bars in Europe. A new generation of bartenders, many of whom have developed their mixing skills in other countries, are producing elegant and innovative drinks made from unusual spirits and handcrafted syrups and infusions. (Chamberlain, 2022.)

As the author is writing this thesis, case company has already launched their products in Denmark, too. According to what has been said in this paragraph, Denmark is surely a huge market for alcoholic beverages in general, the drinking culture is quite like the Finnish one, but at the same time Danes do love their beer more than anything, perhaps. With different reasoning behind, Denmark seems to be a good market for commissioning company, however the biggest uncertainty lies in Denmark's cocktail culture: surely growing, but not yet as strong as the one seen in Hong Kong, for example. However, bars in the Danish capital should be a great spot to shine for case company products, considering the huge number of drinkers populating these bars nowadays.

4.5 Market trend analysis outcomes

The market trend analysis presented in the previous paragraphs has highlighted several points of interests regarding each operating market.

Surely market choices implemented by case company seem to have strong reasoning behind, although each market is surely different from the other.

The author believes that Hong Kong holds the greatest potential for the case company to exponentially grow with sales and brand awareness. On the other hand, despite some differences, Finland and Denmark seem to provide similar chances for commissioning company to grow: two Northern countries with strong drinking habits, but with slightly different history, legislation, and tastes.

Finally, to facilitate case company's access to the interesting data gathered within the sales market trend analysis, the author has decided to deliver a PowerPoint presentation summarizing and visualizing the previous paragraphs' content.

4.6 Tool's design

This paragraph will describe the starting point for the managerial accounting tool and the resulting tool. The focus of this tool is to assist decision making for the commission company across different areas: financial statement analysis, sales analysis, and forecasting sales.

After signing a mutual confidentiality agreement dated 14th of December 2021, the two parties agreed that the outcome would be a simple, compact excel tool, which would assist the company decision making process and perhaps would offer another perspective regarding the company's performance.

As the tool includes different areas, this paragraph will show them, and highlight starting points and outcomes. For confidentiality issues the two parts have decided to only mention percentages and to not include any screenshot from the tool.

4.6.1 Tool part one: financial statement analysis

As agreed previously with the commissioning company, the author would first focus on financial statement analysis to have a better understanding of the company and provide interesting insights regarding the financial health of the company.

Sheet number one and number two from the accounting tool are dedicated to financial statement analysis.

Both horizontal and vertical analysis are performed on profit and loss statement and balance sheet. The financial performance of the company is analysed through two different periods:

- 01/05/20 – 31/04/21 (profit and loss statement)
- 01/05/19 – 31/04/20 (profit and loss statement)
- 31/04/21 (balance sheet)
- 31/04/20 (balance sheet)

Before summarizing some of the most important findings, the author believes is necessary to reiterate that the periods mentioned above are quite particular for the commissioning company, as they are the first two years of activities and in addition to normal challenges that a new company may face, Covid 19 has made things even more complicated and unpredictable.

The starting point for the author was the receipt of financial statements from the commissioning company, after that, as they had been prepared in Finnish, he decided to translate them in English and to edit the format to ease the financial statement analysis itself.

At first glance one thing is immediately noticeable from the profit and loss statement: the volume of the business has increased massively in the second year in comparison with the first year, revenues have gone from having a figure with only three digits in the first year to a figure with five digits in the second year.

Moving the focus to the expenses side of the profit and loss account, the total of staff expenses caught the attention of the author: although the company has obtained much more revenue compared to the first period, the staff expense is still equal to 81% of the company's net turnover.

As usual, the balance sheet provides a better snapshot of the commissioning company's financial situation at the two different points of time. In the following lines the points highlighting the positive change from year one to year two are listed:

- Total assets saw an increase of 197%
- Non-current liabilities saw a decrease of 85%
- Current liabilities saw a decrease of 25%
- Total liabilities amount to 12% of total assets compared to 134% in the previous year

Moving the focus to financial ratios, things have improved dramatically in profitability, liquidity, and solvency. However, since the biggest improvement have been achieved regarding liquidity and solvency, the author has decided to mention the positive changes in the following lines:

- Current ratio: from 4,06 to 16,14
- Cash ratio: from 3,32 to 15,20
- Quick ratio: from 0,74 to 8,63
- Debt to assets: from 1,34 to 0,12

Liquidity and solvency are very important for any business, in fact being able to pay off its short-term debt obligations and its long-term debt obligations, is key for any organization aiming to have a successful life. As it is possible to see from the figures above, the commissioning company situation regarding solvency and liquidity has seen a crucial improvement, however a similar improvement is expected also for next period to provide more financial health and stability to the company.

Given the nature of the business and the young age of the company, it was not possible to find equal competitors on the market to best determine the financial well-being of the company, as the only comparable competitors were established giants from the market.

4.6.2 Tool part two: sales analysis

After having a deep dive in the commissioning company's financial statements, it was time for the author to execute a sales analysis. The aim of the sales analysis developed is to provide a summarized and compact analysis that would potentially highlight new things for the commissioning company, and that could easily be replicated in the future.

Sheet number three, four and five from the accounting tool are dedicated to sales analysis.

As the commissioning company wished to have a compact excel tool, the author decided to develop an excel dashboard, which summarizes and highlights key features of the commissioning company sales performance.

After two meetings with the commissioning company the author obtained a sales report draft along with some more knowledge regarding how it was composed. As the commissioning company is using different distributors to sell its products, the management receives a sales report from each distributor and then proceeds to combine them to obtain a comprehensive sales report.

Since the comprehensive sales report received from the commissioning company held a complicated structure to be analysed with pivot tables, the author decided to restructure the data by quarters and ease the pivot analysis: the result was a much leaner table organized by product, selling channel, year, and quarter.

Sales performance was analysed from May 2020 to March 2022. During this period the commissioning company went from having one within one market to selling six products in three different markets (company currently has more than six products, but only six have obtained sales as of now).

Although at this stage, 2021 is the only full year with sales for the company, some comparison was still applicable, and here in the following lines sales analysis highlights are gathered:

- In 2020 the company had only product with sales
- In 2021 the company had three products with sales
- In March 2022 the company has six products with sales
- Q2 2021: sales saw an increase of 424% compared to same period in 2020
- Q3 2021: sales saw an increase of 25% compared to same period in 2020
- Q4 2021: sales saw an increase of 28% compared to same period in 2020
- Q1 2022: sales saw an increase of 84% compared to same period in 2020
- Q2 2021: best-selling period for the company
- Q3 (sum between 2020 and 2021): best-selling quarter in general
- The second product launched has obtained best sales

- Alko best-selling channel

The sales analysis outcome is an interactive dashboard equipped with slicers allowing the filtering of graphs according to analysis needs. The dashboard is based on pivot tables, therefore it updates itself every time pivot tables are edited.

4.6.3 Tool part three: sales forecast & BEP

Sales analysis is followed by sales forecast for 2022, 2023, 2024 and breakeven point calculations, more specifically in sheet number six and seven of the accounting tool.

The starting point for the sales forecast lies in the historical data with trends identified and summarized in the dashboard. As the reader may already know from the previous paragraph, the commissioning company achieved sales for six products, therefore the forecast includes only the same six products. With the support of historical data, the author was able to forecast sales for each product for a three-year period.

The sales forecast follows a very simple and clear structure replicated for the three years in question. Each year includes the following tables month by month:

- Forecasted unit sold
- Unit selling price
- Sales growth rate (month to month)
- Forecasted revenue
- Unit COGS (materials + excise duty + recycling fee)
- Margin per unit
- Gross profit

On the right end of the sheet, the author provides a year-to-year comparison highlighting the following changes and differences:

- Change in units sold by product (%)
- Difference in unit price by product (EUR)
- Change in sales growth rate by product (%)
- Difference in revenue by product (EUR)
- Difference in unit COGS by product (EUR)
- Difference in margin per unit by product (EUR)
- Difference in gross profit by product (EUR)

The outcome provides the commissioning company with an alternative sales scenario for the future, and at the same time, a lean and easy to replicate sales forecast for the next periods. The author believes that having access to profit margin and gross profit within the same sheet, could prove very useful and handy in the future, too.

Breakeven point and target profit calculation populate the last part of the accounting tool. To better understand the logic behind the breakeven analysis, the author obtained the company's authorization, to include two screenshots from the base sheet (not included in

the tool but provided to the commissioning company) connected to analysis included in the tool.

The pictures following these lines show how the author executed a yearly contribution income analysis by product, which was later combined and summarized using the tables included in the accounting tool. The contribution income analysis by product has not been inserted in the accounting tool, merely for length reasons, but despite this issue, the commissioning company has recognized the validity of the analysis performed by the author.

Yearly Contribution Income Analysis				
Price Per Unit	€ 130,00			
Number of Units Sold	60			
Total Sales	€ 7 800,00	100%		
Less: Variable Production Costs		0%		
Less: Variable Selling Costs	€ 5 795,40	74%		
Total Variable Costs	€ 5 795,40	74%	€ 96,59	Per Unit
Contribution Margin	€ 2 004,60	26%		
Less: Fixed Production Costs		0%		
Less: Fixed Selling and Administrative Costs		0%		
Total Fixed Costs	€ 47 580,07	100%	€ 130,00	Per Unit
Income Before Taxes	-€ 45 575,47	-74%	-€ 96,59	Per Unit

Figure 6. Contribution income analysis calculation

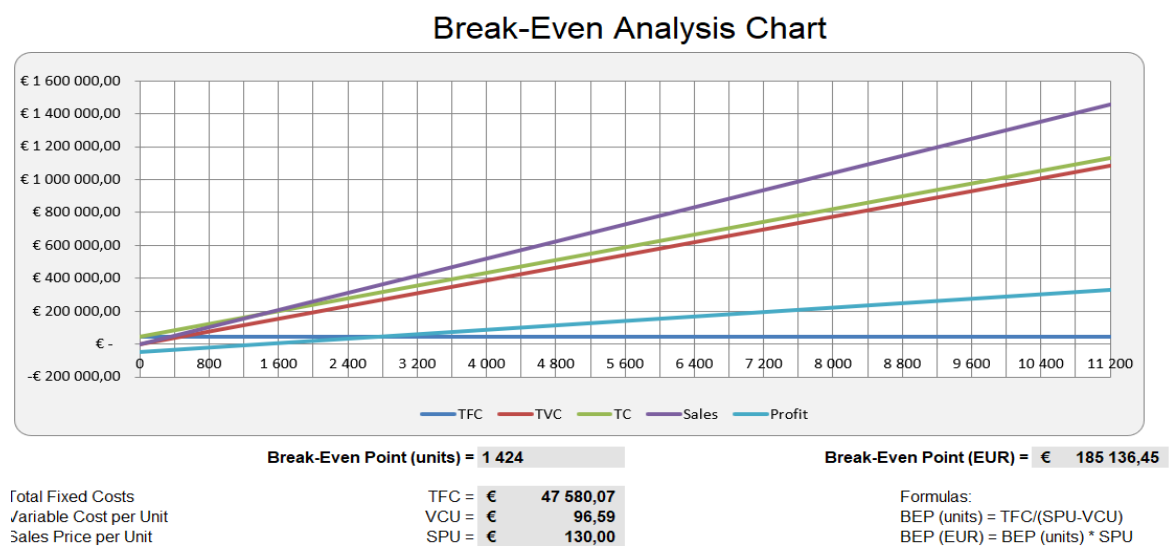


Figure 7. Break – even chart.

Having executed a contribution income analysis by product, and having established average fixed costs plus variable costs per unit, the author was then able to summarize everything within one sheet containing the following points:

- Monthly overview with BEP in euros and units
- Yearly overview with BEP in euros and units
- Year target profit table editable by just inserting the desired profit amount

Both analyses highlighted and confirmed one crucial issue established during financial statement analysis: fixed costs being too high, especially wages and salaries. Although the company's management was already aware of this issue, they seemed pleased to have more data available now to highlight, explain and hopefully fix this issue.

5 Evaluation of the thesis project

Small adjustments have been applied to the original project plan, mainly regarding tasks timing. For example, some parts of the theoretical framework were postponed being written later. The reason for this was the author working full time in financial auditing. The overall time frame, however, remained as planned. The appendix 1 attached to this thesis shows a comparison between how the activities were initially planned and how and when they have been finally executed: this allows the reader to gain some knowledge regarding the project management carried by the author for his thesis project.

5.1 Project outcome assessment

The tool has fulfilled the main expectations initially allocated to it. It is simple to use and easy to replicate for future purposes.

Usefulness and easiness objectives are largely met, as the tool provides accurate and relevant information on the sales of the company and financial statements.

On the other hand, with forecasting and breakeven point calculation, the tool provides commissioning company with a model to follow in future to forecast sales and to perform breakeven point calculation.

Although the tool currently meets the most important requirements, further minor additions could improve it significantly: these are addressed in paragraph 5.4.

The market trend analysis included in chapter 4 of this thesis and delivered in PPT format to the case company, highlighted interesting new facts and provided further reasoning for the case company's market decisions. The presentation provided to the case company received positive feedback on its appearance, too.

5.2 Assessment of learning

Overall, the thesis project has largely improved the author's professional knowledge. Writing the theoretical framework has helped him to go beyond understanding the terms used in his studies and everyday work, but to also match theory with practice. He is now able to better understand the practical implications of business strategies, and he can also establish the connection between accounting and reality.

All the above will certainly increase his professional ability to act as a financial auditor. Having had the chance to work with a smaller entity has also strengthened the author's ability to comprehend different accounting decisions. Technically speaking, the author also improved his skills in academic writing and in Excel.

Furthermore, this project has provided him with the chance to enlarge his network: a significant feature, considering socializing difficulties that foreigners may face in a country, such as Finland.

Finally, this project has taught him to flexibly use his time and to better combine work with studies.

5.3 Commissioning company feedback

The management of the commissioning company reiterates the validity of the tool resulting from this thesis project. It provides significant support for financial statement analysis, sales analysis, sales forecast, breakeven point, and target profit calculations. The logic followed to build the tool is quite simple and therefore very easy to replicate for future purposes. Furthermore, the commissioning company is evaluating the idea to further develop and extend the tool into a web-based tool: this would allow extremely efficient oversight.

The management thinks the author has shown great judgment when deciding the contents and technical execution: his solution-oriented attitude was highly appreciated.

Due to his very humble and flexible approach, the author has built a tool able to serve commissioning company's needs, despite big difficulties related to very fractionated base data. The reprocessing of the data, as well the functionalities built skilfully with pivots and dashboard make the tool simple and versatile.

Finally, the commissioning company highlights the professional approach shown by the author throughout the whole project. Project planning and management were brilliantly executed by the author, who showed very confident control over the whole project since very early days.

5.4 Further development and suggestions

The tool has been implemented so that it is relatively simple to continue developing it and adding further layers of analysis and functionalities, too.

Surely the tool could be enhanced using other softwares, such as PowerBI: this would ease the editing part of the excel tool for future purposes.

One of the big challenges for the author during the whole project was certainly the sales data gathered manually from several distributors. Therefore, given the challenges he has faced with highly fragmented data, he strongly recommends the usage of an accounting software: Procountor, for example. He is sure that the support provided by an accounting software would prove very useful for the case company. For example, from his previous

working experience, using Procountor with its numerous features, allowed him to save a lot of time when dealing with sales analysis and sales forecast.

Furthermore, regarding financial performance, the author suggests to quickly tackle the issue regarding very high fixed costs faced by the case company. As it is visible from the breakeven point calculation included in the tool, fixed costs are the main hindrance between the company and financial success. Finding a solution regarding fixed costs and especially salary and wages, would play a crucial part in speeding up the company's process towards consistent financial success.

Given the company's business model, where production is outsourced and therefore reducing fixed costs is somehow difficult, one way to achieve better financial performance could be reconsidering certain products' pricing to obtain better profit margins.

Finally, the author suggests adopting competitive benchmarking not only for pricing procedures, but also for financial statement analysis, to better measure where and how the case company stands against competitors.

5.5 Conclusion

Considering the challenges related to project scope, timing, and fractionated raw data available, the tool seems to be successful. The result has pleased both parties, and the commissioning company is very keen to use the tool as well as continuing its further development.

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Appendix 1. Overview of thesis planned and actual activities

