

## Case study

### Interactive Case Study – Risk Management

DummyCo Printeries Pty Ltd (“DummyCo”) is a privately owned printing business which offers offset printing, prepress and finishing services. DummyCo has been in business for over 20 years and is worried the printing industry is experiencing declining margins and undergoing considerable change.

DummyCo has a business plan which was prepared 10 years ago. The business plan is over 50 pages in length and has not shifted from its spot on top of the office filing cabinet for many years. Mr Smart, the CEO of the business is interested in expanding the business but is yet to prepare a business case for the plan. Mr Smart has a gut feeling that the time is right to expand.

Mr Smart would like to retire over the next five years and had hoped that one of his staff members (Richard Sonbrand) might take over in the coming few years. Mr Smart felt this was a good idea since Richard was the only staff member who knew how to operate the Heidelberg Speedmaster XL, and was ‘the face of’ DummyCo to all the customers.

DummyCo has been experiencing cash flow difficulties of late and to save money had charged Richard with the responsibility of performing the maintenance work on the equipment, since Richard was handy with his hands. Unfortunately Richard permanently injured himself performing routine maintenance on the Muller Martini press after electrocuting himself, and now requires months off work. Mr Smart has noticed that since the accident, there has been an increase in staff taking sick leave and in staff turnover.

Furthermore, as sales were declining, machine utilisation was also declining. This increased the number of idle staff so Mr Smart sacked half his workforce.

Mr Smart had noticed that the costs of supplies from his three suppliers had been increasing over the last few years and wondered if he should increase his prices.

Some of DummyCo’s small customers had signed customer agreements which were important when the business attempted to reel in a large sum of debtors it realised were outstanding longer than 90+ days. The bulk of sales (around 80%) came from major client Old Idea (a magazine for middle aged ladies and early retirees) – Mr Smart did not want to bother *Old Idea* with a daunting contract since they were such a valuable customer.

Mr Smart decided to sack his financial controller after months of technical problems with the new accounting software “CashMax” and when he learned that the accounts had not been reconciled in over 9 months.

Mr Smart had been avoiding calls from his bank manager relating to the overdrawn business trading account for some time now. To top off Mr Smart’s run of bad luck, he has just received a notice from the ATO advising him of a pending GST audit. Mr Smart suspects that this was due to his last 3 quarterly BASs being lodged only last month and a demand the business received from the ATO for outstanding GST and PAYG.

### Required

- What risks can you identify from the given facts?
- What are the possible implications of each risk to DummyCo’s business?
- Can you think of a way to reduce or overcome each risk identified?