

**UNIVERSITY OF BOLTON**

**OFF CAMPUS DIVISION**

**SCMPC MALAYSIA**

**MSC SUPPLY CHAIN MANAGEMENT**

**SEMESTER 1 EXAMINATION 2018/2019**

**FINANCE FOR MANAGERS**

**MODULE NO: EBU7005**

Date: Saturday 13<sup>th</sup> October 2018

Duration: 3 hours

---

**INSTRUCTIONS TO CANDIDATES:**

There are six questions on this paper.

Answer ALL questions from Part A.

All questions carry equal marks.

---

University of Bolton  
Off Campus Division  
SCMPC Malaysia  
MSc Supply Chain Management  
Semester 1 Examination 2018/2019  
Finance for Managers  
Module No. EBU7005

**PART A [TOTAL: 50 MARKS]**

**INSTRUCTION: Answer ALL questions.**

**Please use the answer sheet provided.**

**QUESTION 1**

Account for the year ending December 31<sup>st</sup> 2017 for Bankwell Berhad are as shown below:

**Profit and Loss Account**

	(RM,000)
Sales	13,450
Cost of sales	8,406
Gross Profit	<u>5,044</u>
Operating Expenses	<u>4,324</u>
Net Profit before Tax	720
Tax	<u>192</u>
Profit after Tax	524
Dividends Proposed	<u>320</u>
Profit Retained for the year	<u>208</u>

Notes:

1. All purchases and sales are on credit.
2. Purchases in the year ending 31st December 2017 were RM 8Mil

**Question 1 continued over the page  
- PLEASE TURN THE PAGE -**

University of Bolton  
 Off Campus Division  
 SCMPC Malaysia  
 MSc Supply Chain Management  
 Semester 1 Examination 2018/2019  
 Finance for Managers  
 Module No. EBU7005

**QUESTION 1 continued...**

**Balance Sheet**

	(RM,000)	(RM,000)
<b><u>Fixed Assets</u></b>		
Fixed Assets at cost		4,592
Depreciation		944
Net Fixed Assets		<u>3,648</u>
<b><u>Current Assets</u></b>		
Stocks	3,264	
Trade Debtors	3,432	
	<u>6,696</u>	
<b><u>Creditors less than one year</u></b>		
Trade Creditors	2,628	
Dividends	320	
Tax	192	
Bank Overdraft	828	
	<u>3968</u>	
Net Current Assets		<u>2,728</u>
		<u>6,376</u>
<b><u>Finance by:</u></b>		
Share Capital		4,800
Reserves		1,576
		<u>6,376</u>

**Question 1 continued over the page  
 - PLEASE TURN THE PAGE -**

University of Bolton  
Off Campus Division  
SCMPC Malaysia  
MSc Supply Chain Management  
Semester 1 Examination 2018/2019  
Finance for Managers  
Module No. EBU7005

**Question 1 continued...**

The following performance indicator 'norms' have been calculated for the industry sector that Bankwell Berhad trades in:

Return on Capital Employed	15.3%
Gross Profit Margin	40.0%
Net Profit Margin	6.2%
Sales to Capital Employed Ratio	2.5
Current Ratio	1.9
Acid Test Ratio	1.1
Debtor Collection Period	80 days
Creditor Payment Period	90 days

**REQUIRED:**

(a) For each of the performance indicators (ratios) above, calculate the figures for Bankwell Berhad.

**(12 marks)**

(b) Comment on the figures you have calculated for Bankwell Berhad and compare Bankwell's performance indicators (ratios) with the industry norms. For each of the performance indicators (ratios) suggest a possible way that Bankwell could improve its performance.

**(7 marks)**

(c) Critically evaluate the limitations of comparing performance indicators for companies in the same sector.

**(6 marks)**

**[Total: 25 marks]**

**- PLEASE TURN THE PAGE -**

University of Bolton  
 Off Campus Division  
 SCMPC Malaysia  
 MSc Supply Chain Management  
 Semester 1 Examination 2018/2019  
 Finance for Managers  
 Module No. EBU7005

## QUESTION 2

The Bloom Corporation has a current annual sales turnover of RM600,000 and does all of its business on credit. The existing credit policy is to give customers 30 days in which to pay and nearly all customers avail of this facility. In order to increase sales Gen Corporation is considering a more liberal credit policy. Market research had been commissioned (at a one off cost of RM20,000) to establish the following – as the collection period is lengthened, extra sales will be attracted in the following amount:-

Credit Policy	Increase in average collection period	Increase in Sales RM,000
A	15 days	20
B	30 days	36
C	45 days	44
D	60 days	60
E	75 days	72

The price of the only product manufactured by Bloom is RM10 with variable unit cost (material & labour) of RM7 – average unit cost have been RM8.50 in the past years. Genius Corporation has an effective working business year of 360 days and a current opportunity cost of capital of 15%.

### REQUIRED:

(a) Assess the impact on Bloom Corporation's Working Capital situation and overall business profitability with the adoption of each of the new credit policies outlined above. Which policy, if any, would you recommend for adoption?

**(17 marks)**

(b) Identify and critically evaluate the assumptions which inform the analysis, with particular emphasis on the concepts of 'Cost of Capital', 'Contribution', 'Elasticity of Demand' and 'Cost Classification'.

**(8 marks)**

**[Total: 25 marks]**

**- PLEASE TURN THE PAGE -**

University of Bolton  
Off Campus Division  
SCMPC Malaysia  
MSc Supply Chain Management  
Semester 1 Examination 2018/2019  
Finance for Managers  
Module No. EBU7005

**PART B [TOTAL: 50 MARKS]**

**INSTRUCTION: Answer TWO questions only.  
Please use the answer sheet provided.**

**QUESTION 3**

In relation to “Financial Statement Analysis”, answer the following:

- (a) Explain the claim: “Financial statement Analysis” is an integral part of business analysis. **(15 marks)**
- (b) What is the basic objective of observing trends in data and ratios? Suggest some standards of comparison. **(6 marks)**
- (c) Differentiate between “horizontal” and “vertical” analysis. **(4 marks)**

**[Total: 25 marks]**

**QUESTION 4**

In relation to “Financial Statement Analysis”, answer the following:

- (a) Explain the claim: “Financial statement Analysis” is an integral part of business analysis. **(15 marks)**
- (b) What is the basic objective of observing trends in data and ratios? Suggest some standards of comparison. **(6 marks)**
- (c) Differentiate between “horizontal” and “vertical” analysis. **(4 marks)**

**[Total: 25 marks]**

**- PLEASE TURN THE PAGE -**

University of Bolton  
Off Campus Division  
SCMPC Malaysia  
MSc Supply Chain Management  
Semester 1 Examination 2018/2019  
Finance for Managers  
Module No. EBU7005

### **QUESTION 5**

Accounting Information System plays important roles in our society, identify and critically evaluate them. Explain Transaction Cycles and its importance in the business. List out the characteristics of "Quality Information".

**[Total: 25 marks]**

### **QUESTION 6**

Takeover and merger are very common in business world, critically evaluate their motives behind these business strategies. Compare and contrast between a 'genuine' and a 'spurious' takeover. How is a takeover target being valued? Describe the various stages in the acquisition process. What are the reasons some takeovers are prone to failure?

**[Total: 25 marks]**

**-END OF QUESTIONS-**