

UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

SCMPC MALAYSIA

MSC SUPPLY CHAIN MANAGEMENT

SEMESTER 1 EXAMINATION 2019/2020

FINANCE FOR MANAGERS

MODULE NO: EBU7005

Date: Saturday 12th October 2019

Duration: 3 hours

INSTRUCTIONS TO CANDIDATES:

There are six questions on this paper.

Answer BOTH questions from Part A and TWO questions from Part B

All questions carry equal marks.

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PART A

INSTRUCTION: Answer BOTH questions [TOTAL: 50 MARKS]

Please use the answer sheet provided.

QUESTION 1

Accounts for the year ending December 31st 2018 for Technology Berhad are as shown below:

Profit and Loss Account

	(RM,000)
Sales	13,450
Cost of sales	<u>8,406</u>
Gross Profit	5,044
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><u>208</u></u>

Notes:

1. All purchases and sales are on credit.
2. Purchases in the year ending 31st December 2018 were RM 8Mil

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Question 1 cont'd...**Balance Sheet**

	(RM,000)	(RM,000)
<u>Fixed Assets</u>		
Fixed Assets at cost		4,592
Depreciation		<u>944</u>
Net Fixed Assets		3,648
<u>Current Assets</u>		
Stocks	3,264	
Trade Debtors	<u>3,432</u>	
	<u>6,696</u>	
<u>Creditors less than one year</u>		
Trade Creditors	2,628	
Dividends	320	
Tax	192	
Bank Overdraft	<u>828</u>	
	<u>3,968</u>	
Net Current Assets		<u>2,728</u>
		<u>6,376</u>
<u>Finance by:</u>		
Share Capital		4,800
Reserves		<u>1,576</u>
		<u>6,376</u>

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

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

Question 1 continued over the page

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Question 1 cont'd...

Task:

- a) For each of the performance indicators (ratios) above, calculate the figures for Technology Berhad.
(12 marks)

- b) Critically analyse the figures you have calculated for Technology Berhad and compare Technology Berhad's performance indicators (ratios) with the industry norms. For each of the performance indicators (ratios) suggest and justify a mechanism for performance improvement for Technology Berhad.
(7 marks)

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

[Total: 25 marks]

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QUESTION 2

The Champion 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 themselves of this facility. In order to increase sales Champion 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 Champion is RM10 with variable unit cost (material & labour) of RM7 – average unit costs have been RM8.50 in the past years. Champion Corporation has an effective working business year of 360 days and a current opportunity cost of capital of 15%.

Task:

- a) Critically assess the impact on Champion 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]

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PART B

INSTRUCTION: Answer TWO questions only [TOTAL: 50 MARKS]

QUESTION 3

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

- a Critically evaluate 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 and justify some standards of comparison. **(6 marks)**
- c Compare and contrast “horizontal” and “vertical” analysis. **(4 marks)**

[Total: 25 marks]

QUESTION 4

Identify and critically evaluate the roles Accounting Information Systems play in our society, commenting on the characteristics of “Quality Information”. Critically examine Transaction Cycles and evaluate their importance in business performance.

[Total: 25 marks]

QUESTION 5

Critically analyse the stages in an acquisition process, evaluating the motives behind takeovers and mergers in a business context, comparing and contrasting ‘genuine’ and ‘spurious’ takeovers, critically considering how a takeover target is valued and critically evaluating reasons takeovers may be prone to failure.

[Total: 25 marks]

-END OF QUESTIONS-