

UNIVERSITY OF BOLTON

GREATER MANCHESTER BUSINESS SCHOOL

BSC (HONS) BUSINESS MANAGEMENT

SEMESTER 2 EXAMINATION 2022/2023

PROFESSIONALS IN PRACTICE

MODULE NO: BMP6017

Date: Friday 12 May 2023

Time: 10.00 – 12.00

INSTRUCTIONS TO CANDIDATES:

There are 3 questions on this paper.

Answer ALL questions.

This examination is 2 hours.

This is a closed book examination.

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Question 1

Moorcroft Ltd is a medium sized enterprise and specialises in selling yachts. It is based in the UK. They have a loyal customer base who are very particular about their product choices. Moorcroft wishes to expand the business and reach out to a wider range of customers by setting up two overseas offices in Qatar and Hong Kong respectively. The company was found in January 2018 and has grown steadily since. Their capital structure is built on a combination of debt finance (60%) and equity finance (40%). Considering their size and a healthy financial growth over the last 5 years, the company's managing director thinks there is enough reserve in retained earnings to fund the expansion. However, they would want to consider the risks associated with investing from retained earnings reserve in the expansion process.

You are the company's finance manager and the managing director has asked you to:

- a) critically evaluate the debt financing options available to Moorcroft Ltd.
(10 marks)
- b) Critically evaluate equity financing options available to Moorcroft Ltd.
(10 marks)
- c) Recommend the best option/s to consider based on your evaluation of the choices explored in (a) and (b).
(10 marks)
- d) Explain if Moorcroft Ltd chooses to use their reserve fund for financing this expansion plan, how it would affect their current financial position and the capital structure of the business.
(10 marks)

(Total: 40 marks)

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Question 2

As a finance manager for Moorcroft Ltd, you have a role to play in prevention and detection of fraud. To demonstrate your knowledge in this area:

- a) Discuss the 'Fraud Triangle'.
(5 marks)
 - b) Critically evaluate what situations may lead to fraudulent activities with relevant examples.
(10 marks)
 - c) Review best practices that could prevent fraudulent activities.
(10 marks)
- (Total: 25 marks)**

Question 3

Moorcroft Ltd are also considering reviewing their internal control systems and using an effective framework to help with this process.

- a) Critically review the COSO model as a framework to evaluate a company's internal control systems.
(15 marks)
- b) List and synthesise 5 internal control mechanisms Moorcroft Ltd could consider putting in place to ensure an effective internal control system within their company.
(10 marks)
- c) Discuss a minimum of 5 key differences between internal and external audit control systems.
(10 marks)

Total (35 marks)

END OF QUESTIONS