



# ICM

SEPTEMBER 2015

FINANCIAL DECISION MAKING – PRE-ISSUED CASE STUDY & GUIDELINES

**Instructions to candidates (please read carefully):**

- a) The following case study provides some basic information that can be used in your analysis during the examination
- b) A copy of this material will be available in the examination and, therefore, you should NOT take this case study into the examination room
- c) You are allowed to prepare notes for this examination. Your notes should be a maximum of two pages (four sides) of A4. **These notes can be taken into the examination and should be attached to your examination script on completion of the examination**
- d) **As part of your prepared notes, you are advised to calculate (and tabulate) a full range of performance indicators/financial ratios, and be prepared to take a view on the recent performance of Sunlooker Ltd**
- e) The three hour examination will consist of FOUR compulsory questions
- f) Non-programmable calculators are permitted in this exam

**Scenario:**

Sunlooker Ltd is a well-established UK-based private family-owned luxury boat builder. It makes and sells a limited number of 'top end' boats, many of which are made to meet the individual requirements of exceedingly wealthy customers. In the 1950s the business was just a small marine repair yard in a port in the South of England, where it is still based. During the 1960s the family started to manufacture and sell small fibreglass motor boats, these were very popular, and over the following decades the business has continued to grow – as did the size and value of the boats produced. Some of the boats made in recent times sell for in excess of £10 million. Sunlooker Ltd now dominates their location, and will find it difficult to expand to meet anticipated expanding demand. In the last 10 years a significant proportion of their boats have been sold to wealthy Chinese entrepreneurs.

continued overleaf

Income statement year to 31 December:

	2012	2011
	£m	£m
Revenue	690.5	601.4
Production costs	(332.6)	(314.1)
Marketing expenses	(129.3)	(127.3)
Administration expenses	(118.2)	(120.1)
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Operating profit (PBIT)	110.4	39.9
Interest paid	(40.0)	(10.0)
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Profit before tax	70.4	29.9
Provision for tax	(15.4)	(6.0)
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Profit/(loss) after tax	55.0	23.9
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Summarised balance sheet (position statement) as at 31 December:

	2012	2011
	£m	£m
Non-current assets		
Intangible	300	300
Property	900	400
Equipment	300	200
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	1500	900
Current assets		
Inventory (inc. WIP)	390	310
Accounts receivable	150	130
Bank	5	5
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	545	445
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Total assets	2,045	1,345
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Equity and reserves		
Share capital	850	850
Retained profit	200	145
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	1,050	995
Non-current liabilities		
Loans	400	200
Current liabilities		
Short-term loans	260	100
Accounts payable	319.6	44
Tax owing	15.4	6
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	595	150
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Total liabilities	2,045	1,345
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