



ICM

JUNE 2016

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 answer 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 ILS plc**
- e) The three hour examination will consist of FOUR compulsory questions
- f) Non-programmable calculators are permitted in this examination

Scenario:

International Lifting Solutions plc (ILS plc) is headquartered in Geneva. It comprises of 56 companies in 23 countries and has a total workforce of 8,300. Production takes place in 31 manufacturing and assembly sites in Europe, North and South America, as well as Asia.

ILS plc is regarded as one of the leaders in technology and innovation in its sector. ILS plc is number one worldwide for loader cranes, marine cranes, and hooklifts (formerly container handling systems).

In the ILS plc mission statement there are significant references to innovation, internationalisation and flexibility.

The following data demonstrates the success of ILS plc in achieving its aim of internationalisation:

Revenue in 2010 by region as a %		Revenue by region in 2015 as a %	
EU	60	EU	50
North America	15	North America	20
Asia	12	Asia	15
Other	13	Other	15

For internal purposes, ILS plc measures its value enhancement by four means of major indicators:

- Revenue increase
- EBIT margin
- ROCE
- Net working capital – operating liquidity

ILS plc pursues a continuous dividend policy, which provides that approximately one third of the annual profit is to be distributed to the shareholders.

continued overleaf

Consolidated income statement for year to 31 December:

	2015	2014
	£m	£m
Turnover (all credit sales)	1060	980
Cost of sales	(800)	(740)
Expenses	(190)	(175)
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Operating profit (EBIT)	70	65
Interest paid	(15)	(12)
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Profit before tax	55	53
Provision for tax	(10)	(10)
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Profit after tax	45	43
Proposed dividend	(15)	(15)
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Retained profit	30	28
	=====	=====

Summarised consolidated balance sheet (position statement) as at 31 December:

	2015	2014
Non-current assets (net)	670	630
Current assets		
Inventory	240	225
Accounts receivable	160	160
Bank	20	15
	-----	-----
	420	400
	-----	-----
Total assets	1,090	1,030
	=====	=====
Current liabilities		
Accounts payable	95	75
Tax owing	10	10
Dividends	15	15
	-----	-----
	120	100
	-----	-----
Long-term loans	40	30
	-----	-----
Equity and reserves		
Ordinary share capital (£1)	600	600
Retained profit	330	300
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	930	900
	-----	-----
Total liabilities	1,090	1,030
	=====	=====