



ICM

MARCH 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 FBC Foods plc**
- e) The three hour examination will consist of FOUR compulsory questions
- f) Non-programmable calculators are permitted in this exam

Scenario:

FBC Foods plc is a diversified international food, ingredients and retail group. It operates in many countries across Europe, southern Africa, the Americas, Asia and Australia. The company originated in the UK (where it is still headquartered), and has grown both organically and by strategic acquisitions. FBC Foods plc currently have three principal divisions – Grocery, Agriculture and Retail.

The grocery division has a number of international brands, and a variety of continental brands. The agriculture division supplies products and services to farmers, feed and food manufactures, processors and retailers. It also buys grain from farmers. Its breadth of experience enables it to add value all along the food, drink, and biofuel industry supply chains. The retail section is made up of just one major retail chain, currently operating in Great Britain, Ireland, France, Portugal and Spain. It solely focuses on short-term, inexpensive fashion items.

continued overleaf

The summarised final accounts are as follows:

Income statement for year to 28/29 February:

	2015	2016
	£m	£m
Turnover (all credit sales)	1,300	1,250
Cost of sales	(720)	(710)
Expenses	(470)	(440)
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Operating profit	110	100
Interest paid	(40)	(45)
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Profit before tax	70	55
Provision for tax	(15)	(12)
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Profit after tax	55	43
Proposed dividend	(15)	(15)
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Retained profit	40	28
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Summarised balance sheet (position statement) as at 28/29 February:

	2015	2016
Non-current assets	6,100	5,500
Cumulative depreciation	(2,500)	(2,300)
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	3,600	3,200
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Current assets		
Inventory	1,400	1,490
Accounts receivable	530	500
Bank	10	40
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	1,940	2,030
	-----	-----
Total assets	5,540	5,230
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Current liabilities		
Accounts payable	630	233
Bank overdraft	-	20
Tax owing	15	12
Dividends	15	15
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	660	280
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Long-term loans	780	890
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Equity and reserves		
Ordinary share capital (£1)	3,000	3,000
Retained profit	1,100	1,060
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	4,100	4,060
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Total liabilities	5,540	5,230
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