



ICM

MARCH 2017

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

Scenario:

FoodtoGoGo Ltd is an established non-quoted UK-based company. It prepares and sells a limited range of 'take away' food and drinks through outlets adjacent to train and underground stations in and around London.

The company was first established in Stratford (London) in the mid 1990s. It sources the majority of its supplies from within a 40 mile radius of Central London, and prides itself on both the quality of their food and that it is ethically sourced.

FoodtoGoGo Ltd initially had one outlet – a former small café. During the 1990s it acquired approximately 5 new outlets per year – again mostly taking over somewhat neglected small cafés.

The company has continued to expand and by 28 February 2017 it has 134 outlets.

In the FoodtoGoGo Ltd's mission statement there are references to expansion, sustainability, quality, innovation, service, value for money, and hygiene standards.

The Board of Directors concentrate on the following performance indicators:

- Revenue increase
- EBIT margin
- Net working capital – operating liquidity
- Increasing the number of outlets

continued overleaf

The following information refers to the period 1 March 2012 to 28 February 2015:

Year to 28 February	2013	2014	2015
	£000	£000	£000
Sales	7,900	9,100	10,000
Expenses	(3,000)	(3,900)	(4,950)
Current assets	2,800	3,300	3,600
Current liabilities	(2,800)	(3,200)	(3,100)
	=====	=====	=====
Number of outlets	105	111	118

The consolidated income statements for the year to 28 February 2016 and 2017 are as follows:

	2016	2017
	£000	£000
Turnover	11,000	12,500
Expenses	(5,500)	(6,600)
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Operating profit (EBIT)	5,500	5,900
Interest paid	(1,250)	(1,400)
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Profit before tax	4,250	4,500
Provision for tax	(760)	(810)
	-----	-----
Profit after tax	3,490	3,690
Proposed dividend	(1,200)	(1,500)
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Retained profit	2,290	2,190
	=====	=====

The consolidated position statement as at 28 February 2016 and 2017 are as follows:

	2016	2017
Non-current assets	23,600	24,510
Cumulative depreciation	(1,900)	(2,100)
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	21,700	22,410
	-----	-----
Current assets:		
Inventory	3,200	3,500
Accounts receivable	750	800
Bank	-	60
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	3,950	4,360
	-----	-----
Total assets	25,650	26,770
	=====	=====
Equity and reserves:		
Share capital	2,500	2,500
Retained profit	6,500	8,690
	-----	-----
	9,000	11,190
Non-current liabilities:		
Loans	13,740	12,320
Current liabilities:		
Accounts payable	850	950
Bank overdraft	100	-
Tax owing	760	810
Dividends	1,200	1,500
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	2,910	3,260
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Total liabilities	25,650	26,770
	=====	=====
Number of outlets	126	134

FoodtoGoGo Ltd has a large property portfolio (i.e. a head office, some small warehouses and the sales outlets). Some properties are owned outright, some are on long-term leases, and a few are rented.