



Financial Management

SBS – MBA/MSC Assignment – 2022

STUDENT ID

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UNIT TITLE:

NAME (in Full):

GENERAL INSTRUCTIONS

- Assignments submission date on 12th January 2023 at assignments@atmsedu.org.
- Any Assignment submission extension request must come to Azra Fatima (Head: Examination | Academic) afatima@atmsedu.org 5 days before the date of submission with a valid reason and supported documentary evidence.
- APA 7th edition referencing guidelines needs to be followed.
- Similarity between student's work is strictly not accepted, any student found with similar work will be graded Zero and fail for the course. However, Plagiarism is an academic offence and will not be tolerated.
- Any reevaluation request should come in 5 days of grade release. Any late request will not be obliged. (Form and other details shall be shared based on request)
- Reevaluation cannot be requested for plagiarized assignments as the assignment stands as an academic misconduct.
- If a program participant submits the assignment late, but within 1 week after the submission date a 20% penalty will be applied
- Re-evaluation request is NOT applicable for any failed courses provided the mark range from 59 to 69. Any grade which is below the range is however not applicable for this request.
- Any rescheduling request can be fulfilled within one week after the actual date of the assessment. Any late request will not be obliged.
- Assignment once submitted to exam board is final for marking.

- Second extension cannot be provided without supporting documentary evidence.
- Program participants are strongly advised to keep a copy of their work in case the submitted copy should go astray.
- Total 90 marks. 10 Marks for Class Attendance. Final marks will be converted to 90 marks.

PS. Kindly note to adhere to all the above instructions. Failing to read this, ATMS will not be responsible for any actions taken.

GUIDELINES FOR ASSIGNMENT

- If assignment is Question & Answer based then.
 - Introduction is needed for each question.
 - Question has to be answered based on the mark allotted for each question with references if any idea or information is taken from other source.
- If assignment is case based then,
 - Executive summary
 - Table of content
 - Introduction
 - Body of assignment (questions related to case need to be answered)
 - Conclusion / Recommendation if any
 - References (in-text + citation) to be used.

Total Marks _____ / 90

PLAGIARISM

Plagiarism is a form of **cheating**, by representing someone else's work as your own or using someone else's work (another student or author) without acknowledging it with a reference. This is a serious breach of the Academic Regulations and will be dealt with accordingly. Students found to have plagiarized can be **excluded from the program**.

Plagiarism occurs whenever you do any of the following things without acknowledging the original source:

- ✓ Copy information from any source (including the **study guide**, books, newspapers, the internet)
- ✓ Use another person's concepts or ideas
- ✓ Summarize or paraphrase another person's work.

How do I avoid plagiarism?

To ensure you are not plagiarizing, you must acknowledge with a reference whenever you:

- ✓ use another person's ideas, opinions or theory
- ✓ include any statistics, graphs or images that have been compiled or created by another person or

- organization
- ✓ Paraphrase another's written or spoken word.

What are the penalties?

The penalties for plagiarism are:

- ✓ Deduction of marks,
- ✓ A mark of zero for the assignment or the unit, or
- ✓ Exclusion from the program.

Plagiarism is dealt with on a case-by-case basis and the penalties will reflect the seriousness of the breach. **Please note claiming that you were not aware of need to reference is no excuse.**

Answer all the Questions. (Word Limit-2000-2500 words)

Shaybah Plc

All values in SAR Millions

Income statement for the year ended 31st Dec 2022

	2020	2021	2022
Turnover	786	841	900
Cost of Sales	503	563	630
Gross Profit	283	278	270
Admin Costs	109	122	137
Net Profit	174	156	133
Dividends	50	80	80
Retained Earnings	124	76	53

Statement of Financial Position as at 31st Dec 2022

	2020	2021	2022
Non-Current Assets	477	832	890
Current Assets	262	281	300
Total Assets	<u>739</u>	<u>1,113</u>	<u>1,190</u>
Current Liabilities	154	192	93
Non-Current Liabilities	100	412	412
Ordinary Shares	350	350	350
Retained Profits	135	259	335
	<u>739</u>	<u>1,113</u>	<u>1,190</u>

Sector average ratios:

Return on capital employed	19%
Net profit margin	20%
Current ratio	1.6 Times
Debt/equity ratio (book value basis)	48%
Return on equity	15%

Question 1

Required:

1.1 Calculate the following ratios for Madeira Plc:

Gross Profit Margin

Net Profit Margin

Net Asset Turnover

Receivable Days

Payable Days

Return on Capital Employed

Debt / Equity Ratio

Return on Equity

(12 marks)

1.2 Comment on the financial performance of Shaybah Plc between the years 2020 and 2022 using the ratios above and any other financial measure you feel appropriate.

(10 marks)

1.3 In 2020 the share price of Shaybah was 20 SAR per share. Today the share price is 21 SAR per share. Critically evaluate if you believe the directors of Shaybah Plc are maximizing the wealth of shareholders. What other goals might the company consider.

(8 marks)

Question 2

2.1 Shaybah has an ambitious plan to invest 100 billion SAR in the next 30 years. Explain how the company might fund such an ambitious investment plan. You are required to evaluate the benefits and drawbacks of equity finance and debt finance from the company's perspective.

(10 marks)

2.2 Summarize the (theoretical) costs of each type of finance available to the company when funding its investment appraisal in the future. What are the relative costs of retained earnings compared with raising new finance via the debt and equity financial markets.

(10 marks)

Question 3

ZebraToon plc is looking to take on a new investment. The company will evaluate two mutually exclusive projects, whose details are given below. The company's cost of capital is 12%.

SAR Millions	Project A	Project B
Initial Investment	(150)	(152)
Year 1	40	80
Year 2	50	60
Year 3	60	50
Year 4	60	40
Year 5	85	30

1. Calculate the Payback period

(4 marks)

2. Calculate the Net Present Value (NPV) of both projects

(6 marks)

3. Calculate the Internal Rate of Return (IRR) of both projects **(6 marks)**
4. Critically discuss the merits of each investment appraisal method, then discuss the result of the evaluations you have made of the two projects and advise the company which project should be undertaken **(9 marks)**

Question 4

4.1 The fundamentals of finance are said to be the concept of 'Risk and Return' and secondly the 'Time Value of Money'. Critically evaluate how investment appraisal techniques can take account of both fundamental theories to aid decision making

(10 marks)

4.2 Summarize the benefits of Leasing to the company when obtaining new fixed assets

(5 marks)