



## Individual Assignment Spring 2017

Module: **Financial Analysis for Managers (ECM05EKM)**

Level: PG

Max. Marks: 100

Duration: 5 weeks

ID NUMBER

**Instructions to Student:**

- **Answer all questions.**

**Intended learning outcomes:**

1. Evaluate the performance of a company using various financial analytical tools.
2. Analyse different patterns of cost behaviour and apply cost-volume-profit analysis to business decisions.
3. Select and apply investment appraisal techniques appropriately.
4. Evaluate the performance of business units using both financial and non-financial measures.

Q1. Assume that you are a Financial Analyst working for Middle East Venture Capital L.L.C. Evaluate the financial performance of a company listed in the Muscat Securities Market (MSM)/GCC Market by taking into consideration the following instructions. (50 Marks)

**Instructions:**

- Select a company listed in Muscat Securities Market/GCC Market (preferably other than banking and investment companies or Holding companies). [You may refer to <http://www.msm.gov.om/>]
- Collect financial reports of the chosen company for three consecutive years.
- Use annual financial statements for analysis. Avoid using quarterly statements.
- Provide references for the data collected (use Coventry Harvard style of referencing). Company websites can also be used for data collection.
- From the financial statements and additional information collected by you complete the below mentioned tasks.

**TASKS**

- a. Prepare comparative income statements and balance sheet for 3 years using *Horizontal and Vertical Analysis* techniques for the both income statements and balance sheet. (10 marks)
- b. On the basis of literature review and from the above computations analyse; Profitability position and Financial position of the chosen company.  
(Literature Review: 10 marks; analysis: 20 marks (profitability position-10 marks & financial position-10 marks); Total 30 marks)
- c. Compare and contrast Vertical analysis and Horizontal analysis techniques. (10 Marks)

Q2. Mars Hypermarket LLC is planning to expand and open new stores in Sultanate of Oman. Currently they are considering two options, one is to start a new store in Barka and other is to take over an existing store in Ibra. But due to recent developments they will be able to fund only one store as the overall revenue trends are subdued. The required rate of return is 10%. Details of cash inflows of 5 years of the two projects along with additional information is given in the table below,

Details	New Store at Barka	Take-over existing store at Ibra
<i>Suppliers availability</i>	Not available. To be initiated	Already existing
<i>Consumer trends</i>	Growth expected at 10%	Stagnated
<i>Population growth</i>	12%	5%
<i>Competition</i>	Strong	Moderate
<i>Initial cost</i>	200,000	200,000
<i>Cash flows</i>		
<i>Year 1</i>	60,000	20,000
<i>Year 2</i>	80,000	60,000
<i>Year 3</i>	100,000	80,000
<i>Year 4</i>	60,000	120,000
<i>Year 5</i>	40,000	80,000

- Evaluate the projects using, Net Present value Method and Internal Rate of Return method. (10 marks)
- Based on the above analysis and on the basis of the relevant literature review, which project would you recommend and why. The students have to consider the non-financial information provided in the case and other relevant non-financial factors while recommending a project.

(Recommendation based on calculations (with Literature review) – 10 marks and discussion non- financial factors (with Literature review) – 10 marks = total 20 marks)

Q3. Your company, a leading cement manufacturer has asked you to submit a cost-volume-profit analysis report for the two products being produced in your company. 20 marks

Product A			Product B		
	RO	RO		RO	RO
Sales		300,000	Sales		300000
Less: Variable Cost	240000		Less: Variable Cost	200000	
Fixed Cost	30000	270000	Fixed Cost	70000	270000
Budgeted Profit		30000	Budgeted Profit		30000

You are required to:

- Calculate break – even point of each product.
- The company prefers to maintain a desired profit of RO 10,000. Identify the sales volume to maintain the desired profit.
- Compute margin of safety for both products.
- The business is expected to go through ups and downs in the demand hence you need to state which product is likely to earn greater profit in conditions of heavy demand for the product and low demand for the product.
- Evaluate the importance of the role of CVP analysis in taking business decisions with appropriate literature review.

(Calculations of BEP, Desired Profit and Margin of Safety 10 marks; Discussion on which product is likely to earn higher profit 5 marks; Role of CVP analysis 5 marks: Total 20 marks)

**Instructions to Students:**

- 1. Work proposal should be submitted by week 5. The main task is identifying the company for doing the analysis and ensuring that the financial statements are available for three consecutive years.**
2. The report should have table of contents and appendices if any.
3. Appropriate references using Harvard style of referencing and in-text citations are mandatory.
4. The report to follow font style Times New Roman, font size 12 and text color black.
5. Submission should be through Turnitin and is subject to plagiarism and late submission policies of the college (Refer Student Manual)
- 6. Deadline for submissions is week 12.**
- 7. A viva – voce may be conducted as per the discretion of the faculty and it carries no marks.**
- 8. Marks awarded in the assessment is provisional till it is approved by the Exam Board**
- 9. Marking**

***For a mark of >69%***

- Show a thorough understanding of the purpose of the activity.
- Display knowledge of the major principles, theories, methodologies, and practices involved and an ability to apply them effectively.
- Provide evidence of wide reading, including academic journals.
- Demonstrate an ability to select critical points, evaluate them and communicate the conclusions effectively.
- Provide approaches that are creative, practicable, and supported.
- Provide a sound, supported critique of your own work.
- Provide sound and supported discussions of further research that may be needed.

***For a mark of 60-69%***

- Show a clear understanding of the activity.
- Display knowledge of most of the principles, theories, methodologies, and practices involved and an ability to apply them effectively.
- Provide evidence of wide reading.
- Demonstrate an ability to select critical points and analyse them and draw sound conclusions.
- Provide approaches that are creative and pragmatic.
- Provide a supported critique of your own work.
- Provide supported, discussions of further research that may be needed.

***For a mark of 50-59%***

- Show an adequate understanding of the activity.
- Display knowledge of some of the principles, theories, methodologies, and practices involved and an ability to apply them.
- Provide evidence of some reading related to the proposal.
- Demonstrate an ability to select key points in the exercise and analyse them.
- Provide approaches that are less creative or might not be entirely practical.
- Provide a critique of your own work.
- Provide discussions of further research that may be needed.

***For a mark of 40-49%***

- Show a barely adequate understanding of the purpose of the exercise.
- Display knowledge of some of the principles, theories, methodologies, and practices involved and attempt to apply them.
- Provide evidence of reading limited relevant literature.
- Attempt some analysis and discussion.
- Show some ability to link theory to problems and provide solutions.

***For a mark of 25-39%***

- Made an attempt to complete the exercise.
- Show little or no understanding of the principles, theories, and practices involved.
- No evidence of academic reading.
- An inability to recognize the key points.

***For a mark of <25%***

- Work lacks any academic merit as adjudged by the foregoing.

**10. Clarifications on Plagiarism Policy:**

As per MEC policy, any form of violation of academic integrity will invite severe penalty. Plagiarised documents, in part or in whole, submitted by the students will be subject to this policy.

**A. First offence of plagiarism**

- a. A student will be allowed to re-submit the assignment once, within a maximum period of one week. However, a penalty of deduction of 25% of the marks obtained for the resubmitted work will be imposed.
- b. Mark deduction: When the work is resubmitted, the marking will be undertaken according to the marking criteria. In compliance with this policy, the 25% deduction is then made on the marks obtained. For example, in an assessment that carries a maximum of 50 marks, suppose a student were to obtain 30 marks for the resubmitted work, the final marks for that assessment will be 22.5 (after deducting 25% of the marks actually obtained for the resubmitted work).
- c. Period of resubmission: The student will have to resubmit the work one week from the date he or she is advised to resubmit. For example, if the formal advice to resubmit was communicated to the student on a Sunday (latest by 5 pm), the student will have to resubmit the work latest by next Sunday 5 pm.
- d. If the re-submitted work is also detected to be plagiarized, then the work will be awarded a zero.
- e. Resubmission of the work beyond the maximum period of one week will not be accepted and the work will be awarded a zero.

### **B. Any further offence of plagiarism**

a. If any student is again caught in an act of plagiarism during his/her course of study (either in the same module, same semester or in any other semester), the student will directly be awarded zero for the work in which plagiarism is detected. In such cases, the student will not be allowed to re-submit the work.

### **C. Guidelines**

a. Type 1: In case plagiarism is detected in any component or part submission (submitted at different times) of one assessment (assignment), the deduction in marks will be applicable for the whole assessment (assignment), even if only the component or part submission alone needs to be resubmitted.

b. Type 2: In case plagiarism is detected in a group assessment, all students of the group will be considered as having committed an act of plagiarism irrespective of whether plagiarism is on account of the act of all or a few or only one member. The policy will then be applied to all students.

c. Type 3: Combination of Type 1 and Type 2: In case plagiarism is detected in any component or part submission (submitted at different times) of a **group assessment (assignment)**, the deduction in marks will be applicable for the whole assessment (assignment), even if only the component or part submission alone needs to be resubmitted. All students of the group would be considered as having committed an act of plagiarism irrespective of whether plagiarism is on account of the act of all or a few or only one member. The policy will then be applied to all the students of the group.

d. Type 4: Variation of Type 1 and Type 2: In cases where the assessment consists of components or part submissions that could be a group assessment component (e.g. group assignment) and an individual assessment component (e.g. individual reflection), the following will be applicable:

1. If plagiarism is detected in the group assessment component, all students of the group will be considered as having committed an act of plagiarism, irrespective of whether plagiarism is on account of the act of all or a few or only one member. The policy will then be applied to all students of the group. In such cases the group assessment component will be resubmitted as per the policy.

2. If plagiarism is detected in the individual assessment component, the individual assessment component will be resubmitted as per the policy. The policy will then be applied to that student alone.

3. In both cases (a) and/or (b), the deduction in marks will be applicable for the whole assessment (assignment).

**D. Amount of similar material**

a. The total amount of similar material in any form of student work from all sources put together should not exceed 30% (including direct quotations).

b. The total amount of quoted material (direct quotations) in any form of student work from all sources put together should not exceed 10%.

c. The total amount of similar material in any form of student work from a **single source** should not exceed 7 percent. However, cases having a similarity of less than 7 percent in such cases may still be investigated by the faculty depending on the seriousness of the case.

d. If faculty member find enough merit in the case of a student work with a similarity (with a single source) of more than 7 percent as not a case of plagiarism, the faculty member should provide detailed comments/remarks to justify the case.

**11. Assignment Marking Rubric:**

Criteria/Grade	<i>For a mark of &gt;70%</i>	<i>For a mark of 60-69%</i>	<i>For a mark of 50-59%</i>	<i>For a mark of 40-49%</i>	<i>For a mark of &lt;40%</i>
<b>Question 1:</b>					
<b>a. Computation of vertical and horizontal statements and ability to apply the tool. (Detailed calculations for 3 years)</b>	Outstanding application of numeracy skills and excellent ability to apply the tools.	Clear application of numeracy skills and ability to apply the tools.	Acceptable application of numeracy skills and ability to apply the tools.	Adequate application of numeracy skills and reasonable ability to apply the tools.	Made an attempt to apply numeracy skills and little or no ability to apply the tools.
<b>b. (i) Literature Review</b>	Evidence of rigorous literature review and scholarly works.	Evidence of wide range of literature review and scholarly works.	Evidence of good literature review and scholarly works.	Adequate literature review and scholarly works.	Limited or little literature review and scholarly works.

<p><b>(ii) Analysis of Liquidity and Profitability position of the chosen company using above calculations &amp; literature review. Ability to link the calculations and theory to draw valid discussion.</b></p> <p><b>c. Discussion on techniques used for the analysis</b></p>	<p>Outstanding interpretation of critical factors in the analysis and very meaningful conclusions drawn in relation to the company of evaluation.</p> <p>Outstanding discussion and excellent knowledge of relevant theories and concepts related to the techniques used for the evaluation and evidence of rigorous literature review.</p>	<p>Clear interpretation of key factors in the analysis and meaningful conclusions drawn in relation to the company of evaluation.</p> <p>Clear discussion and good knowledge of relevant theories and concepts related to the techniques used for the evaluation and evidence of wide range of literature review.</p>	<p>Acceptable interpretation of some key factors in the analysis and conclusions drawn in relation to the company of evaluation.</p> <p>Acceptable discussion and knowledge of relevant theories, concepts related to the techniques used for the evaluation and evidence of good literature review.</p>	<p>Adequate interpretation of few factors in the analysis and limited conclusions drawn but generic in nature and not in relation to the company of evaluation.</p> <p>Adequate discussion and knowledge of some theories and concepts related to the techniques used for the evaluation and reasonable literature review.</p>	<p>Made an attempt to interpret the factors in the analysis and with no conclusions drawn or conclusions not in relation to the company of evaluation.</p> <p>Attempted to complete the tasks. Show little or no understanding of the theories and concepts.</p>
<p><b>Question 2:</b></p> <p><b>a. Evaluation of projects using investment appraisal techniques.</b></p> <p><b>b. (i) Recommendation with appropriate justification.</b></p>	<p>Outstanding application of numeracy skills.</p> <p>Outstanding recommendation which is extremely coherent with the evaluation and appropriately justified with evidence of rigorous literature</p>	<p>Clear application of numeracy skills.</p> <p>Clear recommendation which is highly coherent with the evaluation and properly justified with evidence of wide range of literature review.</p>	<p>Acceptable application of numeracy skills.</p> <p>Acceptable recommendation which is coherent with the evaluation and justified with evidence of good literature review.</p>	<p>Adequate application of numeracy skills.</p> <p>Adequate recommendation with limited coherence to the evaluation and minimum justification with reasonable literature review.</p>	<p>Made an attempt to apply numeracy skills.</p> <p>Made an attempt to recommend with little or no coherence to the evaluation and little or no justification.</p>

<p><b>(ii) Discussion on non-financial factors</b></p>	<p>review.</p> <p>Outstanding discussion based on the non-financial factors given in the case study and excellent knowledge of relevant non-financial factors for the evaluation of given projects and evidence of rigorous literature review.</p>	<p>Clear discussion based on the non-financial factors given in the case study and good knowledge of relevant non-financial factors for the evaluation of given projects and evidence of wide range of literature review.</p>	<p>Acceptable discussion based on the non-financial factors given in the case study and knowledge of relevant non-financial factors for the evaluation of given projects and evidence of good literature review.</p>	<p>Adequate discussion based on the non-financial factors given in the case study and knowledge of some non-financial factors for the evaluation of given projects and reasonable literature review.</p>	<p>Attempted to complete the tasks. Show little or no understanding of the concepts.</p>
<p><b>Question 3:</b></p> <p><b>a., b. &amp; C. Calculation of BEP, desired profits and Margin of safety for both products.</b></p> <p><b>d. Discussion on which product is likely to earn higher profits</b></p>	<p>Outstanding application of numeracy skills and excellent ability to apply the tools.</p> <p>Outstanding discussion on identifying the product which is going to earn higher profit during low and high demands based on the calculations.</p>	<p>Clear application of numeracy skills and ability to apply the tools.</p> <p>Clear discussion on identifying the product which is going to earn higher profit during low and high demands based on the calculations.</p>	<p>Acceptable application of numeracy skills and ability to apply the tools.</p> <p>Acceptable discussion on identifying the product which is going to earn higher profit during low and high demands based on the calculations.</p>	<p>Adequate application of numeracy skills and reasonable ability to apply the tools.</p> <p>Adequate discussion on identifying the product which is going to earn higher profit during low and high demands based on the calculations.</p>	<p>Made an attempt to apply numeracy skills and little or no ability to apply the tools.</p> <p>Little or no discussion on which product is going to earn higher profits.</p>



<b>e. Role of CVP analysis in decision making</b>	Outstanding discussion and excellent understanding of the role of CVP analysis in decision making and evidence of rigorous literature review.	Clear discussion and good understanding of the role of CVP analysis in decision making and evidence of wide range of literature review.	Acceptable discussion and understanding of the role of CVP analysis in decision making and evidence of good literature review.	Adequate discussion and some understanding of the role of CVP analysis in decision making and reasonable literature review.	Attempted to complete the task. Shows little or no understanding of the concept.
<b>General</b>	Outstanding presentation, logically structured, using correct grammar and spelling, accurate referencing and bibliography correctly using the CU Harvard Style.	Good presentation, completely structured, acceptable grammar and spelling, generally well referenced with correct use of the CU Harvard Style.	Acceptable presentation and structure, acceptable grammar and spelling and acceptable referencing. Generally accurate use of CU Harvard Style.	Adequate presentation and structure, grammar and spelling and adequate referencing. CU Harvard Style used but may contain some inaccuracies.	Poor/weak presentation, grammar and spelling, little or no referencing, incorrect style, or very inaccurate use of CU Harvard style.