Faculty of Business and Law
Higher Education Division
FIN20014 (KAPLAN) Financial Management

Study Period 2 2016

The objective of this assignment is to encourage the students to use excel spreadsheets to aid in problem solving. Students are asked to solve a capital budgeting problem using an excel spreadsheet.

Weighting:	15% of total assessment
Due Date:	**Sunday 31 July at 10:00 pm SG Time**. Submit your assignment 'online' *through TURNITIN via Blackboard*.
Late Submissions:	You must contact unit convenor Miraj Ahmmod (sahmmod@swin.edu.au) directly and make alternative arrangements should you not be able to submit your assignment in due time. **Assignments will not be accepted after 10.00 pm on Sunday 31 July** unless an arrangement has been made directly with the convenor.
Format:	The assignment is a problem solving exercise using an excel spreadsheet with additional discussion on findings, forecast errors and risk.
Documents:	Students should submit the following documents ALL MERGED in ONE FILE (either doc or pdf) only • an assignment COVER sheet • a copy of their formal REPORT • a copy of their excel spreadsheet with VALUES • a copy of their excel spreadsheet with EXCEL FORMULAS
Online Submission:	Link and details will be available on BB.

Details of Assignment

FINEHEALTH Inc. has spent $2 million in the last year in research and development (R&D) for a next generation energy drink for athletes. Although it costs $2 million in the first year's R &D, it is predicted that achieving a target result in this research may take another 4 to 6 years' time. In the meantime, despite huge controversy, the company is planning to introduce the revolutionary pre-version of this drink, called X-TRM, which might cause long-term health hazards for some users due to unknown reasons. The General Manager (GM) of FINEHEALTH Inc. is asking for a detail analysis on X-TRM project. If the project is initiated, it will require an annual expenditure on R&D of 2% of the above amount spent for R&D in the first year.

After renovating one existing section of the factory, the production line for X-TRM can be started. The project is expected to run for six years when the target drug will be ready to introduce. Required renovation can be conducted immediately at a cost of $220,000 that includes installation cost of new plant and equipment (P&E). The company has decided to capitalise total renovation costs to new P&E. The company has decided to capitalise total renovation costs to new P&E.

A local distributor of a German company can immediately supply all required parts and accessories of the new P&E for a total charge of $3,400,000 including import duty of $330,000. In addition, for new P&E, transportation cost is estimated to be $80,000. Total costs for P&E would be depreciated using a tax allowable straight line rate of 15% per year. However, the company can sell P&E at the termination of the project for $400,000.

It is also estimated that the new production line will require an initial increased investment of $57,000 in stock (inventories) and $39,000 in debtors (accounts receivables) that are offset by an increase in creditors (accounts payable) of $36,000.

The procurement of HR will be one-off cost at the beginning and estimated to be $56,000. The project requires annual quality assurance inspection that will cost $40,000 per annum.

It is projected that sale of X-TRM would be 56,000 cartons per year when variable operating cost will be 45% of sales. Selling price per carton will be $50. Annual fixed operating cost, excluding depreciation, will be $450,000. Due to increasing demand, it is estimated that the sales will increase by 25% in the fourth year and that will remain the same in the last two years. For increased sales volume, variable operating cost would be 40% of sales.

Existing section of the factory, where the new P&E will be installed, is in use by a subcontractor who pays monthly rent of $6,000. This rent income for FINEHEALTH will discontinue once the new production line X-TRM will commence its operation.

The firm has a 13% weighted average cost of capital (WACC) and is subject to a 30% tax rate. The required discounted payback period is 4 years.

The GM hesitates to take the final decision unless all issues are clearly explained. The GM also asks for a detail analysis of cash flows and explanations of results of capital budgeting methods that are usually used in evaluating projects.

Required

Using Excel Spreadsheet prepare a full analysis to be presented to the GM of FINEHEALTH Inc. evaluating whether the X-TRM project should be started or not. Your analysis should include the following

- Table of cash flows
- Use of excel formulae where appropriate (refer eLearning video of Week-6)
- A written report (1200 words, +/- 10%) outlining your recommendation as to whether FINEHEALTH INC should proceed. Justify your recommendation using quantitative and qualitative issues and your analysis of probable risks relating to the project.

Marks will be awarded for:

- Set out of spreadsheet (watch eLearning video of week-6)
    i. Ease of reading spreadsheet
    ii. Use of excel formulae in organised spreadsheet
    iii. Correct application of theoretical model
- Overall presentation of answer including the written report.

** Carefully read the following Marking Rubric on page-4 for required components and presentation of formal report.*

Guidelines for marking of Excel Spreadsheet Assignment
FIN20014_KAPLAN_Financial Management
Study Period 2 2016

Total Marks for the assignment = 15 marks

Organised Excel Spreadsheet = 7 marks and
Concise Formal Business Report (1200 +/- 10% words) = 8 marks

The attached marking rubric (on page-4 of the assignment) should be considered by students when preparing their assignment for submission.

Lecturer will assess whether the students have met the objective of the assignment which is to encourage students to use excel spreadsheets to aid in problem solving and write a concise business report. Students are asked to solve a capital budgeting problem using an excel spreadsheet and present their analysis in a summary business report.

Students should submit (ALL MERGED IN ONE FILE in either doc or pdf)

A copy of their formal REPORT including an assignment COVER SHEET and a copy of their Excel Spreadsheet including (a) a spreadsheet with values and (b) a spreadsheet with excel formulas.

Students must submit their assignment via Blackboard using TURNITIN through ASSIGNMENT_FINAL SUBMIT option.

Submission of your assignment
♦ **BY SUNDAY the 31st of July 10.00 pm (SG time) submit a soft copy via Blackboard - *TURNITIN***

Late assignments will be determined based on the SOFT COPY SUBMISSION time as recorded in TURNITIN.

Late Assignments will not be accepted unless an arrangement has been made directly with the convenor.

Should you be unable to submit your assignment due to ill health then you will need to contact Miraj Ahmmod on sahmmod@swin.edu.au to make alternative arrangements.

Marking Rubric

Name : ID:

Marking Rubric for Assignment of FIN20014 (KAPLAN) Financial Management SP2 2016

Weight	TRAITS	0% **No Attempt**	1% - 20% **Inadequate attempt**	21% - 40% **Less than Adequate**	41% - 60% **Acceptable**	61% - 80% **Very Good**	81% - 100% **Exemplary**	Given Marks	Total Marks (out of)
Excel Spreadsheet – Max 7 Marks	Knowledge and understanding of spreadsheet application	No evidence of understanding of use of spreadsheet and its application in the context of this question	Less than adequate spreadsheet - no use of formulas	Less than adequate spreadsheet - very limited use of formulas (too many incorrect figures)	Competent spreadsheet - reasonable use of formulas. (too many incorrect figures)	Very good spreadsheet - reasonable use of formulas but some incorrect figures	Excellent answer – with correct figures		/7.00
REPORT - Max 8 Marks									
25%	Structure and Presentation of Entire Report	No evidence of structure or thought of presentation	Inadequate attention to structure and presentation of entire report	Few headings. Weak flow. No table of contents or page numbers	Evidence of limited structure. Presentation of entire report is acceptable	Appropriate structure and a well presented report including a table of contents, page numbers etc. References used.	Professional structure, guiding reader through logical analysis. Superior development of Table of contents, including tables, figures, labelled appendices and page numbers		/2.00
50%	Conclusions/ recommendations	No conclusion or recommendations provided	Less than adequate conclusion given with no final recommendation	Less than adequate conclusion given with illogical final recommendation	Weak connection between analysis and conclusions or recommendations. Introduces new arguments inappropriately	Good connection between analysis and conclusions	Superior conclusions drawn using all relevant analysis. Conclusions are realistic and professional		/4.00
25%	Style and grammar	No evidence of checking for style and grammar	Inadequate attention to grammar, spelling and expression	Poor use of grammar, spelling and expression	Appropriate use of expression with several spelling errors. Shows some evidence of editing.	Appropriate use of expression and minimal spelling errors. Shows clear evidence of editing. Well explanation of terms.	Fully edited with no easily discernible errors in expression, spelling or grammar		/2.00
TOTAL								**0.00**	**/15.00**