

Corporate Strategy and Contemporary Issues

Instructions to candidates

- (1) Time allowed: Reading and planning – 20 minutes
Writing – 3 hours
- (2) Total: 80 marks
- (3) The examination will be conducted as an open book examination.
- (4) This question paper should be answered entirely in the **ENGLISH** language.
- (5) Your answer must be submitted in the answer booklets provided at the Examination Hall.
- (6) Any pre-prepared papers included in your answer **WILL NOT** be marked.
- (7) After the instruction to stop writing at the end of the paper, you will be given five minutes to assemble your answer booklet/s.

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**DECEMBER
2019**

XYZ Group

Assume that you are Thushara Wijesiri who joined XYZ Group as the Group finance manager one month ago. You are a qualified chartered accountant having six years of experience, of which two years were in the field of apparel manufacturing and four years were in the field of assurance and advisory.

You report to Tony, the Group CEO. During your final selection interview, the CEO emphasised on the importance of understanding the overall business in managing the finance and reporting function. The CEO did not clearly mention your job scope to you nor was a detailed job description included in your appointment letter. Instead the CEO has given you the independence to study the operations of the business and adjust your job role as a strategic and operational finance manager. Further, the expectation is for you to act as a senior manager who finds solutions to strategic, financial and operational issues related to the business and be a partner in taking XYZ Group to the next level.

Required:

Write an internal memorandum to Tony, addressing the requests made in his email to you in **Annexure IX**.

(State clearly any assumptions that you make).

(Total: 80 marks)

Annexure IX: Email from Tony regarding potential areas to consider

Date: 26 December 2019

From: tony@xyz.com

To: twijesiri@xyz.com

Subject: Matters of concern that need your assistance

Hi Thushara,

Good morning.

As I informed you, I would be overseas for two weeks next month, to attend a couple of meetings with a few of our business partners and clients.

- One thing in the agenda is to discuss about investing in QB shares. XYZ Group will be one of the partners of the planned consortium to acquire QB. For this purpose, I want to know about the potential value parameters of QB. You may use the given QB financials and any valid assumptions when arriving at a value. I would also like you to give me insights on the country profile of Bangladesh from an investor's point of view and, why not we think about more investments in Cambodia and Vietnam.

I know that being a newly joined member at XYZ, you may take a few months to overcome the learning curve. However, I would still like it if you can give your attention to the following concerns and address them with priority.

- We need to prepare and send a letter to the IRD regarding the assessment correspondence they sent. I think we can agree with the matter related to capital allowances as we do not have proper supporting documents to prove asset acquisitions during that period. However other disputes need to be discussed with rational arguments, and a request must be made to the Commissioner to cancel the assessed tax liability in relation to them.
- Wicky informed me that the possibility of getting BOI approval for the proposed lingerie manufacturing plant before the end of this year is remote due to various concerns. Therefore, at this moment, you may forget about the draft project proposal I gave you earlier. Wicky and I already concluded to delay the project and will forward the same with modifications requested by the BOI next year.
- Within operations, supply chain, HR and compliance, risk and control, and other business functions, I believe that there are areas that need improvement. I would be happy if you can provide me insights on such potential areas for improvement. As you are new to the Group, you may make assumptions where necessary so that I can also learn from out of the box thinking of newcomers.
- What are your thoughts on the information our head engineer gave you regarding the installation of the RO plant? Do you have any concerns on the viability of the project including any other strategic concerns? I'm thinking about alternative financing options too.

- We need to get ready with the Group budget for 2020. What I think about the overall export sales for next year is that it will be around USD 125 million. For this purpose, we should have an adequate working capital facility for next year so that there is no disturbance to operations due to short-term liquidity issues. Please could you evaluate existing facilities, and consider restructuring of short-term facilities in a cost effective manner. I do not even mind dropping one or two banks while concentrating more business with banks that offer a lower rate.

Can you please prepare an internal memorandum including all my concerns above? Please note that I'm not going to present your memo at any forum or share it with anybody. Therefore, you may use any format in drafting the memo. I would prefer to have more insights on the areas what I have requested rather than an unnecessary amount of information copied from other sources.

I hope you will get me the internal memorandum before I fly out so that I can read it peacefully on the flight.

Thank you.

Regards,
Tony

Annexure X: Additional information related to the working capital cycle and cash cycle of XYZ Trading (Pvt) Ltd

Working capital days

Description	No of days
Average debtor days	70
Average inventory days	63
Average creditor days	44
Average letter of credit days	21

Mark allocation

	Marks
1. Valuation of QB	
<ul style="list-style-type: none"> • Value parameters 	12
<ul style="list-style-type: none"> • Non-financial strategic concerns 	4
<ul style="list-style-type: none"> • Country analysis 	8
2. Letter to the IRD	8
3. Report on issues and solutions on operations, supply chain, HR and compliance, risk and control and other business functions	12
4. Viability of the RO plant	
<ul style="list-style-type: none"> • Viability of the project 	14
<ul style="list-style-type: none"> • Other strategic concerns 	5
<ul style="list-style-type: none"> • Sources of financing 	5
5. Restructuring of short-term facilities	8
6. Overall presentation	4
Total	80