



UNIVERSITY OF RUHUNA

FACULTY OF GRADUATE STUDIES

**Master of Business Management Degree Program -Second Semester End
Examination**

August/September 2022

MBM 12083 - Business Analysis and Decision-Making Duration: Three hours

The question paper contains Six (06) questions.

Answer four (04) questions including question number one

- Non-programmable calculators are permitted.

Question 01

When most firms were struggling in 2018, Apple increased its revenues from \$24.0 billion in 2017 to \$32.4 billion in 2018. Apple's net income was \$4.4 billion in 2018, up from \$3.5 billion the prior year—wonderfully impressive in a global slump. Fortune magazine in 2019 rated Apple as their number-one “Most Admired Company in the World” in terms of their management and performance.

In this situation, Table 1 illustrates the strategic position of the Apple company, while Table 2 presents the details of relative market share and market growth rate of Apple company. Table 3 shows the details of internal factor evaluation matrix, and external factor evaluation matrix. Based on this market position, the board of directors has organized a brain storming session for its senior management team to discuss and agree on the future direction of the company. Special attention would be given to the company's plan to expand the business, given the increased demand and the likelihood of a possible production facility extension.

Table 1: Strategic Position of Apple Company

Internal Strategic Position		External Strategic Position	
Competitive Position (CP)		Industry Position (IP)	
Sub-factor	Rate ~ (score)	Sub-factor	Rate (score)
Market Share	-5	Growth Potential	2
Product Quality	-3	Access to Financing	3
Customer Loyalty	-3	Financial Stability	2
Variety of Products offered	-4	Resource Utilization	4
Control over Suppliers	-3	Ease of Entry into Market	3
Financial Position (FP)		Stability Position (SP)	
Sub-factor	Rate (score)	Sub-factor	Rate (score)
Current Ratio	4	Inventory turnover	-2
Liquidity	2	Rate of Inflation	-3
Profitability	5	Product range of competitive products	-2
Debt to Equity	3	Price Elasticity of Demand	-3
Financial Result	2	Barriers to Entry into Market	-1

Table 2: Relative Market Share and Market Growth Rate of Apple Company

Brand	Sales	Percent Sales	Profits	% of Profits	Relative Market Share	Market Growth Rate
iPhone	\$ 7.5 Million	31.4	\$ 4 Million	50.0	.75	+15
Laptop	\$ 6.4 Million	26.8	\$ 2 Million	25.0	.40	+10
Watch	\$ 5.1 Million	21.3	\$ 1 Million	12.5	.60	-10
MacOS	\$ 4.9 Million	20.5	\$ 1 Million	12.5	.05	-20

Table 3: IFE and EFE Matrices of Apple Company

Brand	Sales	Percent Sales	Profits	% of Profits	IFE Scores	EFE Scores
iPhone	\$ 7.5 Million	31.4	\$ 4 Million	50.0	3.5	3.6
Laptop	\$ 6.4 Million	26.8	\$ 2 Million	25.0	2.5	3.8
Wrist Watch	\$ 5.1 Million	21.3	\$ 1 Million	12.5	3.2	2.2
MacOS	\$ 4.9 Million	20.5	\$ 1 Million	12.5	1.4	1.3

You are required to answer the following questions,

- i. Construct and apply the Strategic Position and Action Evaluation (SPACE) Matrix for Apple Company and select the appropriate strategies based on the position at SPACE matrix.
(08 Marks)
- ii. Draw the BCG Matrix for Apple company and make appropriate recommendations for the company based on its position of BCG Matrix.
(08 Marks)
- iii. Draw the IE Matrix for Apple Company by plotting the brands in the relevant quadrant and make appropriate recommendations for the company based on its position of IE Matrix.
(08 Marks)

[Total 24 Marks]

Question 02

Zigma Trading PLC is a listed company engaging in buying and selling of consumer goods. Mr. Nimal Jayaweera is the Managing Director of the company, and he is one of the main shareholders of the company as well. The General Manager of the company handed over the financial results of the company for the year ended 31 December 2021. The Managing Director is very happy about the performance of the

company during the year and suggest a performance bonus for the management of the company. The extracts of the financial statements are given below.

	2020	2021
	Rs. 000	Rs. 000
Revenue	4,230	3,350
Cost of Sales	(1,710)	(1,260)
Gross Profit	2,520	2,090
Other income	640	10
Administrative Expenses	(380)	(220)
Distribution costs	(610)	(550)
Finance cost (Interest)	(560)	(5)
Profit before taxation	1,610	1,325
tax expense	(360)	(190)
Profit after taxation	1,250	1,135
	2020	2021
	Rs. 000	Rs. 000
Total Assets	33,900	16,800
Current Liabilities	6,000	3,200
Non-Current Liabilities	9,500	1,600
Equity and Reserves	18,400	12,000

During the year 2020, company received Rs. 600,000 as insurance claim for the stock losses occurred in 2018 due to a fire in the show room.

Further the company obtained a loan of Rs. 6 million on 01st January 2021 from a bank to expand its operations.

Assuming that, you are the General Manager of Zigma Trading PLC:

- i. Compute the ROCE of the Company for both 2021 and 2020 years.

(05 Marks)

ii. State whether you are in agreement with the Managing Director's suggestion to pay a performance bonus. Justify your answer.

(04 Marks)

iii. Suggest six possible strategies to enhance the performance of Zigma Trading PLC.

(03 Marks)

[Total 12 Marks]



Question 03

i. Briefly explain the relationship between Return on Capital (ROC) and the Shareholder Value.

(02 Marks)

ii. Short term thinking is one of the criticisms in Shareholder Value concept. Explain how short-term thinking affect the sustainable returns of a business.

(05 Marks)

iii. Corporate Social Responsibility (CSR) is a management concept which leads a business towards sustainability. State the three pillars of sustainability and explain one of them emphasizing the key issues involved.

(05 Marks)

[Total 12 Marks]

Question 04

The directors of SOUTHWEST DISTRIBUTION COMPANY PLC (SWDC) is planning to acquire 90% of shareholding of NORTHWEST PLC (NW) and the following information is available as at 31-12-2021. SWDC is handling all type of distribution of manufactured goods from factories to warehouses and harbor & airports etc. and NW is handling similar operation, but they have the combined capacity to handle logistic operations with overseas logistic operators for import and export businesses of the country.

Narration	SWDC (Rs)	NW (Rs)
Number of ordinary shares	1,500,000	2,220,000
Issue price of a share	10.0	10.0
Retained equity	450,000	320,000
MV value per share Last traded	20.50	7

No of preference shares	500,000	400,000
Profit before tax	2.4 Mn	1,110,000
Debentures	250,000	400,000
Book Value per share	18	12
Tax rate	24%	12%

- i. Corporates seek rapid growth in business operations via external diversification by acquiring, amalgamating, or integrating entities. Mention main three types of such diversifications and briefly explain benefits that will accrue from each diversification strategies to stakeholders.

(05 Marks)

- ii. Mention two important benefits that SWDC would accrue after amalgamation with NW.

(02 Marks)

- iii. Calculate Price to Earnings Ratio of both companies and mention one important reason to contribute to different PE ratios of the same line of business activity.

(02 Marks)

- iv. NW is requesting the SWDC to swap shares with NW on the basis of Earnings Per Share (EPS) but SWDC wants to pay the consideration on the MV basis. Calculate share swap ratio and appropriate number of shares to be issued on both MV and EPS basis.

(03 Marks)

[Total 12 Marks]

Question 05

You as a finance manager of a company are requested to provide the explanations on the following queries raised by board of directors in strategic investments that they are planning to go for business expansion purpose.

- i. The directors identified a quoted company to invest where the investment would give a return in the form of dividend at a rate of Rs 2 per annum for the next 05 years and plan to exit from the investment after the end of the fifth year. The price per share in the market can be purchased at Rs 20/- They believe that the opportunity cost of

capital is 12%. They ask you what minimum price that share should be sold to have a capital gain after 5th year.

Discounting factors @ 12%	.892	.797	.711	.635	.567
	First Year	Second Year	Third Year	Fourth Year	Fifth Year

(05 Marks)

- ii. They have already made an another investment which drives around an earning of 1.0 Mn per annum and assumed to be received at perpetuity. The similar businesses earn with an earning yield of around 8% per annum. Directors now decide to exit from the business due to personal reasons and wants to have a fair value for the sale. The investment disposal of this nature is liable for a capital gain of 10% on sales and What is your net value for the investment after the capital gain tax?

(04 Marks)

- iii. The directors have questioned about investing shares in Colombo stock exchange and they want to know 04 good technical/fundamental reasons or techniques in choosing shares in the market to avoid any capital erosion. Discuss.

(3 Marks)

[Total 12 Marks]

Question 06

Compare and contrast the following concepts

- i. External Audit Vs. Internal Audit
- ii. Restructuring Vs. Reengineering
- iii. SBU Structure Vs. Matrix Structure
- iv. Strategy Formulation Vs. Strategy Implementation

(03 Marks per each)

[Total 12 Marks]