



ASSIGNMENT QUESTIONS

MASTER OF BUSINESS ADMINISTRATION

STRATEGIC FINANCIAL MANAGEMENT

ASSIGNMENT

INTRODUCTION TO THE ASSIGNMENT

- This assignment consists of **THREE** compulsory questions.
- In questions 1 and 3, you need to apply knowledge acquired to the question's requirements. Theoretical answers will not score high marks.
- Where the question requires calculations (question 2 in this assignment), show all your calculations, as some of them are worth marks.
- All the best!

ASSIGNMENT QUESTIONS

QUESTION 1

[40 MARKS]

Read this extract from Woolworths' 2020 integrated report, and answer the questions that follow:

- Woolworths. (2020). *Register of application of King IV 2020*.
https://www.woolworthsholdings.co.za/wp-content/uploads/2020/09/2020_King_IV_Application_Report.pdf (Retrieved April 06, 2023).

- Assess the value of embracing of ethics and social responsibility as far as Woolworths, as a business organisation, is concerned. (8)
- At what point and how seriously should Woolworths consider these issues when planning? (8)
- How does your organisation (or one of your choosing) tackle these issues? (8)
- Based on the information from Question 3, what is your advice to Woolworths in its approach to ethics and social responsibility, and why?
- As the financial manager of a JSE-listed company, what would your responsibilities be to ensure that the King IV Code is effectively adhered to?

TOPIC	POOR = 0-24%	ROOM TO DEVELOP =25-50%	PROFICIENT =51-74%	MASTERLY = 75-100%
CRITERIA				
Assess the value of embracing of ethics and social responsibility as a business organisation.	Level of evaluation as required by the question is way below what is expected at MBA level. As per the guidance of the question itself, answers are limited to descriptions and unsupported facts and opinions or generally descriptive and uncritical or not relevant to question's requirements.	Level of evaluation falls short or just meets MBA level. As per guidance of the question itself, is broadly descriptive, uses ideas and principles introduced in the module or internet search with limited application; recycles class discussions; to an extent uses unsubstantiated opinions or statements, sometimes not relevant to the question's requirements.	Evaluation meets MBA level. As per the guidance of the question itself, applies concepts learnt in the module and internet sources; solid evaluation and analyses showing nexuses between good business operations and good corporate governance; extra research apparent; largely applied and critical; pragmatism is discernible in the evaluation and analysis.	Critical, sophisticated, resourceful and imaginative assessment of the question's aspects, exceeding MBA level. As per the guidance of the question itself, extensive application of concepts learnt in the module (and beyond) in relation to good business operations and good corporate governance; extra research supporting ideas evaluated or put forward; critical evaluation and analysis that is seamless and clearly discernible.
Guidance as to when and how seriously Woolworths should consider the issues highlighted in the	Little to no guidance as to when and how seriously Woolworths should consider the issues highlighted in the given article when planning. Student is	Some guidance is provided as to when and how seriously Woolworths should consider the issues highlighted in the given article when planning. Student shows signs of	Stellar guidance is given as to when and how seriously Woolworths should consider the issues highlighted in the given article when planning. Student demonstrates a thorough understanding of	Analytical and refined, business guidance is given as to when and how seriously Woolworths should consider the issues highlighted in the given article when planning.

given article when planning.	unable to make the link between what has been taught theoretically and putting this knowledge into practise in a real-life situation. Responses provided are vague or not plausible.	linking theory and praxis and although this needs much development, should be commended on their efforts. Responses provided are those applied by other theorists and not applicable to the context given.	theory and praxis and has read and researched further to better advise the organisation. The advice, while sound, is lacking in creativity, so this can be an area to develop in the future.	Student demonstrates a thorough and critical understanding of theory and praxis and has read and researched further to better advise the organisation. The advice, in addition to being sound, is also creative and innovative.
How does your organisation (or one of your choosing) tackle these issues.	Little to no feedback given on how the chosen organisation tackles such issues. Answers are limited to descriptions and unsupported facts; opinions are generally descriptive and uncritical or not relevant to question's requirements.	Some feedback is given on how the chosen organisation tackles such issues. Limited application, recycles class discussions, to an extent uses unsubstantiated opinions or statements, sometimes not relevant to the question's requirements.	Stellar feedback is given on how the chosen organisation tackles such issues. Extra research is apparent, largely applied and critical, to an extent – pragmatism is discernible in the evaluation and analysis.	Analytical and refined, feedback is given on how the chosen organisation tackles such issues. Additional research in the form of supporting ideas evaluated or put forward are indicative of critical evaluation and analysis
Advice to Woolworths in its approach to ethics and social responsibility, and why	Little to no guidance as to how Woolworths should consider the issues highlighted in the given article. Student is unable to make the links between what has been taught theoretically and putting this knowledge into practise in a real-life situation. Responses provided are vague or not plausible.	Some guidance as to how Woolworths should consider the issues highlighted in the given article. Student shows signs of linking theory and praxis and although this needs much development, should be commended on their efforts. Responses provided are those applied by other theorists and not applicable to the context given.	Stellar guidance as to how Woolworths should consider the issues highlighted in the given article is provided. Student demonstrates a thorough understanding of theory and praxis and has read and researched further to better advise the organisation. Their advice, while sound, is lacking in creativity, so this can be an area to develop in the future.	Analytical and refined, business guidance as to how Woolworths should consider the issues highlighted in the given article is provided. The Student demonstrates a thorough and critical understanding of theory and praxis and has read and researched further to better advise the organisation. The advice, in addition to being sound, is also creative and innovative.
The roles and responsibilities of a finance manager to ensure that the King IV Code is effectively adhered to.	Level of understanding of the responsibilities of a financial manager is way below what is expected at MBA level. As per the guidance of the question itself, answers are limited to descriptions and unsupported facts and opinions, or are generally descriptive and uncritical, or not relevant to the question's requirements.	The level of understanding of the responsibilities of a financial manager falls short or just meets MBA level. As per the guidance of the question itself, is broadly descriptive, uses ideas and principles introduced in the module or internet search; limited application, recycles class discussions, to an extent uses unsubstantiated opinions or statements, sometimes not relevant to the question's requirements.	The understanding of the complexity of the responsibilities of a financial manager meets MBA level requirements. As per the guidance of the question itself, applies concepts learnt in the module and internet sources; solid evaluation and analyses showing nexuses between good business operations and good corporate governance; extra research apparent, largely applied and critical; pragmatism is discernible in the evaluation and analysis.	Critical and sophisticated understanding of the complexity of the responsibilities of a financial manager showing advanced understanding for MBA studies. The Student demonstrates that they are resourceful and imaginative, exceeding MBA level and as per the guidance of the question itself with extensive application of concepts learnt in the module (and beyond) in relation to good business operations and good corporate governance, extra research supporting ideas evaluated or put forward, critical evaluation and analysis that is seamless and clearly discernible in the evaluation and analysis.

QUESTION 2**[30 MARKS]**

You have recently been appointed executive in charge of finance for Hufflepuff (Pty) Ltd. The company is considering investing in the production of UPS machines and related products for its clientele. The junior accountant has provided you with the following information:

Details	Year 1	Year 2	Year 3	Year 4	Year 5
	R'000	R'000	R'000	R'000	R'000
Sales	35 000	49 000	53 200	57 400	55 200
Materials	5 350	7 500	9 000	10 050	9 000
Labour	10 700	15 000	18 000	21 000	18 000
Other variable overheads	500	600	650	700	750
Fixed overheads	12 000	?	?	?	?
Other operating costs	3 000	3 100	3 200	3 400	3 300

In addition, the junior accountant informs you of the following:

- All cash flows and profits forecasts were prepared in present terms and can be adjusted based on inflation in respective years;
- Fixed overheads are expected to suffer inflationary increases of 5% per year;
- Materials and labour costs are expected to increase by 10% per annum;
- Other operating costs are expected to increase by 4% per year;
- The tax rate is 28% and payable in the year profits are made;
- The company is financed by 75% equity and 25% debt, with market values of R75m and R25m respectively. The company has an equity beta of 1,2. The rate on Treasury bills is 5% and considered to have no risk. The market risk premium is 7,5%. The company's after-tax cost of debt is 6%;
- The following assumptions were made in preparing the financial information:
 - Profits are similar to cash flows for the purposes of this project evaluation;
 - All receipts and payments arise at the end of the year to which they relate, except for the project's initial outlay of R30m, which is to be paid immediately; and
 - Other operating costs figures have already adjusted for tax capital allowances and noncash depreciation adjustments. The noncurrent asset bought for the project has no residual value.

Required:

Given the information above, calculate the following:

- i. Profits for the periods (12 marks)
- ii. Weighted average cost of capital (5 marks)
- iii. Net present value of the proposed project (10 marks)
- iv. Recommendation on the acceptance or rejection of the project with justifications (3 marks)

Please note:

- Adjustments must be considered before calculations are performed.
- State any assumptions you make. Your assumptions must make sense given the requirements of the questions.
- Round off rand amounts to the nearest rand.

QUESTION 3**[30 MARKS]*****Credit Suisse: How the mighty fell***

What was behind the shocking demise of a treasured institution – and how will the proposed rescue package play out?

When they hear the name “Credit Suisse”, my grandchildren will likely have to google (or whichever search engine exists then) these two words. For most of my contemporaries here in Switzerland, Credit Suisse is an inherent part of Swiss history and culture. The past weekend has been historical in many dimensions for Switzerland. The country used to be praised as a successful financial center due to its stability and lack of political uncertainty, but instead recent developments have prompted a combination of curiosity and panic. A too-big-to-fail institution has indeed failed, some of its bonds written off, and its remaining assets purchased by its neighbor and competitor UBS.

Why has this happened? Certainly Credit Suisse’s problems did not start last week. Its fate results from a combination of poor strategic decisions, a rotting culture, and bad luck. The power of its brand had kept the bank afloat despite corporate governance scandals, the choice of wrong partners, and a sequence of CEOs and top executives that were unable to restore confidence and lead a turnaround. And when there was turbulence in financial markets because of the default of Silicon Valley Bank (SVB), the weakest banks sunk first.

While the SVB collapse demonstrates the gaps in US banking regulation, the response of the Swiss National Bank (SNB), FINMA, the Swiss financial regulator, and the Swiss Confederation should be praised as adequate and speedy. SVB’s shareholders and depositors were the victims of a regulatory framework that allows non-systemic banks in the United States to account for fixed income securities as “held to maturity securities” – that is, accounted at cost of acquisition instead of at fair value or market value. When SVB showed financial weakness, depositors started to withdraw their money. Being forced to liquidate such fixed-income securities at depressed values, SVB became undercapitalized and technically bankrupt.

As financial panic spread throughout the world, it reached Switzerland, and Credit Suisse wealth management clients, depositors and shareholders became concerned about the going-concern value of the bank. We heard last night in a historical press conference that survival alternatives for Credit Suisse had been considered from last Wednesday, including splitting the business into parts, nationalization, and an outright sale to UBS. The latter is what ultimately happened after a frantic weekend.

Extracted from: Bris, A. (2023). *Credit Suisse: How the mighty fell*.

<https://www.imd.org/ibyimd/finance/credit-suisse-how-the-mighty-fell/> (Retrieved April 06, 2023).

Weigh up the pros and cons of the merger between Credit Suisse and UBS. In your expert opinion as a strategic financial expert, is this a sound business decision or does it merely prolong what will inevitably be a painful economic end for the once-giant credit institution? Provide your response in no more than 500 words, concentrating on the following discussion points:

- Consideration of capital costs as well as its associated risks and return; (10)
- The impact of different international finance options available to the bank; (10) and
- The influence of credit management and debt collection (or lack thereof) on the bank's financial liquidity. (10)

TOPIC	POOR = 0-24%	ROOM TO DEVELOP =25-50%	PROFICIENT = 51-74%	MASTERLY = 75-100%
CRITERIA				
Consideration of capital costs as well as its associated risks and return.	Little to no attempt made to better understand these concepts in relation to the case study.	Some attempt is made to better understand these concepts in relation to the case study. The student is somewhat confused by how they are interrelated but shows signs of progress.	A visible effort made to understand these concepts in relation to the case study. The student demonstrates a better understanding through further reading and research, but although familiar with these concepts is unable to apply them in the real-world context.	The student provides a critical evaluation of theory and practice merged in the research and discussion of the relationship between these concepts. They are familiar with these concepts and able to apply them in the real-world context.
The impact of different international finance options available to the bank.	Little to no attempt made to discuss the impact of different international finance options available to the bank in the given case study.	Some attempt was made to discuss the impact of different international finance options available to the bank in the given case study with limited association of the link between the two.	Clear and concise research was done and a sound discussion provided of the impact of different international finance options available to the bank in the given case study.	Critical research has been undertaken to provide a relevant and impactful discussion on the impact of different international finance options available to the bank in the given case study.
The influence of credit management and debt collection (or lack thereof) on the bank's financial liquidity.	Little to no attempt made to better understand these concepts in relation to the case study.	Some attempt is made to better understand these concepts in relation to the case study. The student is somewhat confused by how they are interrelated but shows signs of progress.	A visible effort made to understand these concepts in relation to the case study. The student demonstrates a better understanding through further reading and research, but although familiar with these concepts is unable to apply them in the real-world context.	The student provides a critical evaluation of theory and practice merged in the research and discussion of the relationship between these concepts. They are familiar with these concepts and able to apply them in the real-world context.

Total Marks: 100