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|  | **Module** | Business Decision Making |  |
|  | **Code** | BA4008QA |  |
|  | **Coursework Number** | 2 |  |
|  | **Intake** | Nov20 |  |
|  | **Available on WeLearn** | Mon 10th May 2021 |  |
|  | **Submission Date and Time** | Mon 7th June 2021 before 3pm via Turnitin |  |
|  | This second coursework should be submitted in a single **Word Document**.Note: No Pdf, No excel | |  |
| This Coursework contributes 30% to the overall marks for BA4008QA | | | |
| Answer All questions | | | |

**TASK ONE (70 marks)**

Senior management at Dolapo Plc have identified that there is a strategic need for a replacement machine to be acquired in one of its production departments. They have to make a choice between two models of the machine they have in mind. Model 1 is called **Dysn** and model 2 is called **Texla**. They are unsure as to which of the two models they should buy. They have given you the following profiles of the two models.

|  |  |  |
| --- | --- | --- |
| **Cash flow (£)** | | |
| **Period** | **Dysn: Model 1** | **Texla: Model 2** |
| **Year0** | **(£250,000)** | **(400000)** |
| **1** | 120,000 | 95000 |
| **2** | 90,000 | 125000 |
| **3** | 75,000 | 115000 |
| **4** | 80,000 | 125000 |
| **Scrap Value** | 10,000 | 90000 |
| **Cost of Capital** | 12% | |
|

**QUESTION 1(a) :**

They want you to appraise the two prospective projects using the following investment appraisal techniques: **[46 MARKS]**

1. Payback (8marks)
2. Accounting rate of Return (10 marks)
3. Net Present Value (12 marks)
4. Internal Rate of Return (16 marks)

**Note:** Funds are only available for only one model.

**QUESTION 1(b) :**

Write a report (**of around 500 words)** to the senior management of the company explaining how each of the techniques works. Your report should include the advantages and disadvantages of each technique. **[16 MARKS]**

**QUESTION 1(c) :**

Explain briefly (**in around 200 words)** which machine you would recommend to senior management of Dolapo Plc under each technique and state your reason why you would recommend that machine.

**[8 MARKS]**

***PLEASE NOTE ALL WORKINGS SHOULD BE SHOWN CLEARLY WITHIN YOUR REPORT.***

**TASK TWO (26 marks)**

An analysis and evaluation of the performance, liquidity, and financial structure of Tesco plc over the three-year period 2017 – 2019.

**QUESTION 2(a):**

Explain the company’s (Tesco plc) performance and position using the accounting ratios shown below (**see page 5)** and any other information relevant to Tesco plc taken from the annual report and accounts for 2019 (see the link in **page 6)** and any other relevant source of evidence. **[18 MARKS]**

**QUESTION 2(b):**

Highlight any five (5) **limitations** in the use of accounting ratios that you found in your analysis and evaluation of the company over the three-year period. This may include reference to the movements in the company’s share price particularly in 2019. **[5 MARKS]**

**QUESTION 2(c):**

Discuss other three (3) factors affecting Tesco in 2019 e.g. significant new items affecting the company’s performance, movements in share price, current retail and market conditions. **[3 MARKS]**

**A maximum of 4 MARKS** will be awarded for a high-quality analysis, presentation and references.

**Note:** Harvard referencing format must be used

***Information on TESCO Plc***

|  |
| --- |
| **2019 2018 2017** |
| **Performance ratios** |
|  |
| Gross profit margin (% ) 6.48 5.83 5.19 |
| Return on total assets ( % ) 3.41 2.89 0.32 |
| Return on capital employed ( % ) 5.90 5.07 0.55 |
|  |
| **Liquidity ratios** |
|  |
| Current ratio ( : 1 ) 0.61 0.71 0.79 |
| Liquidity ratio ( : 1 ) 0.49 0.61 0.68 |
|  |
| **Efficiency ratios** |
|  |
| Inventory days (days) 14.95 14.37 15.02 |
| Trade receivable (days) 3.42 2.96 3.20 |
| Trade payable (days) 32.84 34.39 32.08 |
|  |
| **Gearing ratio** |
|  |
| Gearing ( % ) 161.26 233.35 454.44 |

***Source: FAME Financial Database***

***SOURCES AND HYPERLINKS***

**Tesco plc Annual Report and Accounts 2019**

<https://www.tescoplc.com/media/476422/tesco_ara2019_full_report_web.pdf>

**Understanding Tesco plc**

<https://www.tescoplc.com/investors/understanding-tesco/>

**FAME financial database**

<http://student.londonmet.ac.uk/library/subject-guides-and-research-support/a-z-subject-guides-and-librarians/guildhall-school-of-business-and-law-/accounting-banking-economics--finance/key-subject-collection-databases/>

**BBC website: 2 March 2018 SFO seeks retrial of former Tesco bosses**

<http://www.bbc.co.uk/news/business-43253799>

**ASSESSMENT CRITERIA:**

**Task 1:**

**Total Marks for Task 1 = 70**

**Task 2 :**

**Total Marks for Task 2 = 26**

**18 MARKS** foranalysis and interpretationof accounting ratios for performance, liquidity and financial structure with some attempt to link this to business factors affecting Tesco over the three-year period

**5 MARKS** for brief comments highlighting any five (5) limitations in the use of accounting ratios for Tesco

**3 MARKS** for thediscussion of other three (3) factors affecting Tesco in 2019 e.g. significant new items affecting the company’s performance, movements in share price, current retail and market conditions

**A maximum of 4 MARKS** will be awarded for a high-quality analysis and presentation

**Overall Marks (Task 1 & Task 2 and Presentation) = 100**

**Harvard referencing format must be used**

**Grading Criteria:**

|  |  |
| --- | --- |
| **Marks** | **Grade** |
| 70-100 | A |
| 60-69 | B |
| 50-59 | C |
| 40-49 | D |
| 30-39 | F1 (Condoned Pass) |
| 0-29 | Fail |
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