

FIN5FMA Assignment

FINANCIAL MANAGEMENT – SEMESTER 2, 2016

The research project is a case analysis based around applying subject content and knowledge to the identification of the financial management policies. The case provided focuses on cash forecasting for an automotive parts supplier that produces advanced automotive systems for large automobile assemblers located nearby. Expected learning outcomes from completing the research project:

- An appreciation of the structure and content of annual report documents, and the ability to understand and interpret qualitative and quantitative information presented in annual reports
- The ability to link corporate report and performance attributes with theoretical financial management principles and policies, as a means of identifying corporate decision-making practices
- The ability to critically analyse and evaluate the suitability of specific corporate decision-making and transactions by firms and their potential impact on firm valuation and stockholder wealth
- The ability to develop and present a strategy plan for modifying a firm's financing policies.

Overall, the idea behind this research project is to integrate a number of topics across the subject syllabus, as a means for students to understand the dynamic relationship between the various financial management decisions that firms have to make. It also represents an example of the sort of company analysis and assessment that a research analyst or consultant might undertake when they are evaluating a firm or conducting a strategic planning exercise

Based on the provided case scenario and spread sheets data, students are requested to answer following questions in this assignment:

1. Why can't profitable company like Jackson repay its loan on time? What major company developments between August 2012 and May 2013 contribute to this situation? Prepare a sources and uses of funds statement for Aug 2012 through May 2013.
2. Why does the company need a new loan? How urgent is the need for the additional borrowing?
3. Prepare monthly cash budget and pro forma income statements and balance sheets for the last four months of the fiscal year.
4. Based on your forecasts and analysis of Jackson's credit, is the company able to repay its loan at the end of the fiscal year? What are the risk associated with the proposed loan?

5. Critically evaluate the assumptions on which your forecasts are based and perform sensitivity analysis on the fiscal year-end cash balance when sales forecasts vary from expectations.
6. Should the bank extend the maturity of the current loan and approve the additional loan? What terms and conditions should the bank impose to reduce the risks of the loan to the bank?
7. Why did the company repurchase a substantial fraction of its outstanding common stocks? What's the impact of the repurchase on Jackson's financial condition?
8. Critically assess the company's proposed dividend payout in September 2013. Should the bank agree with the payout? What seems to be an appropriate amount?

General administration issue:

The research project will represent **25%** of the final assessment for this subject and is to be submitted in printed **hard copy** to the lecturer. The due date for submission of this research project is **Tuesday 18th Oct 2016 (week12)** lecture time. The research project can be completed in a group comprising up to a maximum of **four (4) people**, if desired. The research project should be a maximum of **3,000** words, including any calculations, tables and other exhibits, although it is envisaged that it can be successfully completed in significantly fewer words than this maximum limit. The completed report should be prepared in a professional manner, and include detailed presentation of information and arguments used to justify policy and decision-making conclusions drawn. Relevant calculations employed should be fully explained and be understandable and interpretable by the reader, and any important assumptions made should be clearly stated. Any resources used, besides the case and spreadsheet provided, should be appropriately identified and referenced.

A signed and dated Statement of Authorship form should be submitted with the research project, and students are advised to make themselves aware of the University policies in relation to plagiarism.