

Final Level

Management Accounting – Case Study

15

FLCS

24 May 2001
Day 4 – afternoon

INSTRUCTIONS TO CANDIDATES

You are allowed three hours to answer this question paper.

This booklet contains the examination question and unseen case material.

In addition to the unseen case material within this booklet, data relating to the years 1999 and 2000 has been added to Appendices B, C, D, E, F and G. The new data is shown shaded. The revised Appendices are contained in the booklet of pre-seen material on your desk.

The separate booklet on your desk contains a fresh copy of the pre-seen material.

- The narrative in that booklet is identical to the version you have used to prepare for this examination.
- Appendices A, H, I, J and K are also the same.
- Appendix B has been revised to include data for 1999 – May 2001.
- Appendices C, D, E, F and G have been revised to include data for the years 1999 and 2000.

Answer BOTH parts of the question. This is on page 2, which is detachable so that you can refer more easily to the question at the same time as the information within both the pre-seen and unseen material.

Maths Tables and Formulae are provided on pages 7 – 10.

Write your examination number in the boxes provided on the front of the answer book.

Write FLCS on the line marked "Subject" on the front of the answer book.

Do NOT write your name or your student registration number anywhere on your answer book.

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ANSWER THIS QUESTION – 100 MARKS

Additional information relating to the case is given on pages 3 – 6.

Appendices C – G on pages 11 – 13 of the booklet of pre-seen material provided today combine the information from the pre-seen material with additional data for the years 1999 and 2000.

Appendix B on page 10 of that booklet combines information from the pre-seen material with additional data for 1999 to May 2001.

Read all of this additional material before you answer the question.

You are a management consultant.

Required:

(a) Prepare a report for the board of Proton Quest in which you assess the issues facing the group and evaluate five strategic options that Proton Quest has itself identified. These are:

- Demerger;
- Merger / Takeover of Proton Quest by another company;
- Division Sell-off;
- Strategic Alliance;
- Do Nothing.

Your report should include your recommendations.

(b) Prepare a second report for the board on the potential implications of the sale of the Techno Insights division. You should make appropriate recommendations and should include your valuation of the division, with supporting calculations and a justification of your recommendations.

Parts (a) and (b) are equally weighted.
