**SIA Module worksheet week 2**

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| Seminar **Questions** (to check and/or develop your relevant knowledge on investment appraisal) | **Answers** (write here in your own words & underline key concepts) | e.g. **Illustrate** from last year’s case study – find this data in the annual report of the target company or the exemplar assessment | NB - **Find** the equivalent data for the assessment case study you are tasked with analysing from the annual report of target co. |
| 1. What are the main types of investment made by a company? | Business acquisitions, Events,  New products (NPD) or research & development (R&D)  New buildings, IT or other FA\* | Which types of investment are most likely to be made in a food delivery service business? Vehicles and Business acquisitions |  |
| 1. Why do companies buy or merge with other companies in (a) the same industry? and (b) in another industry? | 1. To grow market share & eliminate the competition 2. To diversify in order to balance the risk & reduce reliance on one sector | Which rationale applied to the case study? (a) grow market share |  |
| 1. How many shares would you need to own in a company for it to be described as having a ‘controlling interest’? | 50% is a simple majority for voting rights, but 100% means they would have absolute control (i.e. no minority shareholders) | What % of shares did the case company bid for and how did they pay? 100% acquired by issuing bidder company shares to target company shareholders in exchange |  |
| 1. Define the following terms    1. CAPEX    2. Fixed assets (FA\*)    3. Debt    4. Gearing    5. Leverage | See glossary  a- Capital expenditure (cost of investing in additional or replacement fixed assets)  b- Fixed assets, also known as non-current or tangible assets, e.g. property, vehicles, plant and equipment  c- Amount of total capital sourced from long-term borrowings  d-Also known as Leverage (US), the extent of long-term borrowings used to finance a company  e- Also known as Gearing (UK), the extent of long-term borrowings used to finance a company | Find the values for each term   1. CAPEX $55.1m Property & Equip’t 2. Fixed assets (FA) $172.7 3. Debt $493m long-term debt 4. Gearing 493/2375 = 21% 5. Leverage 21% or as a ratio to shareholders’ equity 493/1494 = 0.33:1 |  |