
Diploma in Corporate Finance

Corporate Finance Strategy & Advice

Date of exam	Monday 20 June 2016
4 hours	1.00 pm – 5.00 pm
Rubric	Answer all the questions

Candidates are reminded that no marks will be awarded for illegible work

Notes to candidates:

1. Please insert your candidate number on the cover of your answer book. **Do not insert your name.**
 2. Show **all** workings in your answer book.
 3. Candidates may attempt the sections in any order. Please indicate clearly in your answer book which questions you are answering.
 4. Please insert the numbers of the questions which you have attempted, in the order in which they appear in the answer book, in the box provided on the cover of your answer book.
 5. You may use the calculator provided or a model approved by the CISI.
 6. You must hand your answer book to an invigilator before you leave the examination hall. **Failure to do so will result in disqualification.**
 7. The decision of the exam panel is final and no correspondence will be entered into concerning the grade awarded.
 8. Once submitted, examination scripts become the property of CISI and ICAEW. They are not returned to candidates.
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Please turn over when instructed

Assume that the current date is 29 March 2016.

Sports Direct International plc (Sports Direct) issued a profits warning in January 2016. In order to restructure and save costs the board of Sports Direct is considering a merger with another sports goods retailer and has identified JD Sports Fashion plc (JD) as its potential merger partner.

Your firm, Foss Corporate Finance (FCF), has been asked to give advice to the board of Sports Direct.

A partner in FCF is due to attend a meeting with the board of Sports Direct and has asked you to prepare a report for him on the potential merger.

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Sports Direct Capital IQ spreadsheets: Financials	4 – 28
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Sample Share Prices	149 - 150

Requirements:

Prepare a report, with supporting evidence for any opinion, for the partner in FCF that should include:

Note: 5 marks will be awarded for an appropriate report format.

1. a suggestion of how the merger might be structured assuming that the consideration is by way of a share exchange (any valuations that you consider necessary may be computed using multiples) (15 Marks)
2. a comparative analysis of the financial health and trends of Sports Direct and JD (20 marks)
3. an analysis of the financial health of the enlarged group and your opinion on whether this will be attractive to the shareholders of each company (you should include a statement of the assets and liabilities of the enlarged group using the latest financial information with which you have been provided. You may ignore the slight timing differences) (15 marks)
4. a SWOT analysis of the potential merger between the two companies. You should include in your analysis a discussion of the advantages and disadvantages of the merger between the two companies (30 marks)
5. your opinion on whether JD is likely to be interested in entering into merger talks with Sports Direct (5 marks)
6. any regulatory issues that should be considered (8 marks)
7. some factors that you would discuss with the board of Sports Direct in deciding whether or not to delay the proposed merger assuming that global stock markets have now suffered a major setback as a reaction to concerns about the Chinese economy and commodity prices (2 marks)

Note: Your report must include conclusions

End of examination paper

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