Workshop Topics

The case study presented is a fast-food chain with two years of financial statements provided. Financial statements of the company for 2013 and 2012 were provided.

The following main topics were covered in **Workshop 2**:

- **Cash flows statements**

  The company's cash holding position between 2 years and its cash flow cycle were discussed. The various key information revealed by the cash flow statement was looked at.

- **Discounted cash flow**

  The way that the how a discounted cash flow analysis would be carried out on a proposed international investment was analysed, taking into consideration the different currencies of the investment and returns, inflation of the countries and the exchange rate. The level of risk in the investment was also assessed.

- **Working Capital Management, Cash Management, Dividend Policy**

  The efficiency of inventory management and JIT system were discussed. The company's policies with respect to trade payables and trade receivables were looked at.

  Evaluation of the company's cash management performance between the 2 years and reasons for policy of holding large amounts of cash or short-term investments were analysed. The possible change in dividend policy was also discussed.

- **Foreign exchange risk**

  The implications of the currency mix of the company's holdings of cash and short-term investments were discussed. The possible arrangement of a currency swap to hedge the exposure to currency risk was analysed.

- **Business valuations**

  Different methods of valuing the company including assets valuation, earnings valuation, discounted cash flow valuation and dividend-based valuation were looked at. An offer price for the business was discussed.

- **Share issue / bond issue**

  The difference of raising additional capital by means of a new share issue or a bond issue was discussed with reference to the theory of Modigliani and Miller.