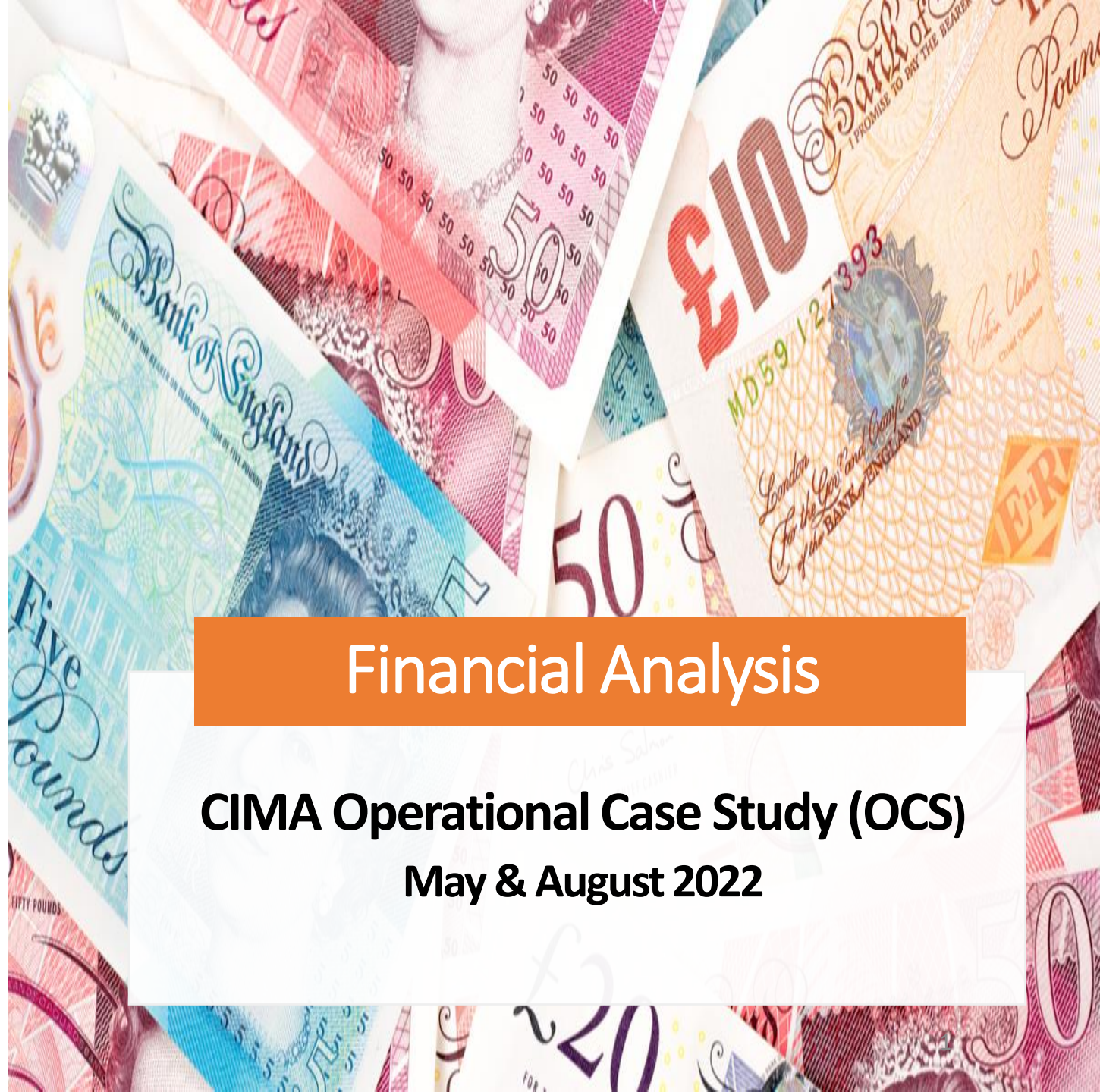




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Financial Analysis

CIMA Operational Case Study (OCS)
May & August 2022



■ Revenue

- Significant growth of 24%
- Capturing market share despite adverse industry dynamics
 - Revenue growth of 6 major players was just 7% in the past 5 yrs
 - Revenue growth within the industry has declined at present

■ Cost of Sales

- Increased by 20%
- Growth is lesser than growth in revenue

■ Operating Exp

- Increase is less than growth in Sales
- Better control of Op Exp.

■ Operating Loss

- Decreased significantly
- Due to increasing revenues & controlling CoS and Op Exp.

■ Net Loss

- Decreased significantly

Statement of Profit & Loss

Item	2021	2020	% Change
Revenue	62,500	50,350	24.1%
CoS	33,750	28,045	20.3%
GP	28,750	22,305	28.9%
Selling & Distribution	14,375	12,600	14.1%
Administration	18,075	17,450	3.6%
Operating Loss	(3,700)	(7,745)	-52.2%
Finance Cost	396	535	-26.0%
Loss Before Tax	(4,096)	(8,280)	-50.5%
Income Tax	-	-	0.0%
Loss	(4,096)	(8,280)	-50.5%

Statement of Financial Position

■ Intangible Assets

- Has increased by 19%
 - Capitalized costs relating to app upgrades?
 - Recipes purchased from chefs?

■ PPE

- Decreased by 13%, despite growth in revenues
- No revaluations
- Sold PPE at a loss
 - Due to cashflow issues?
 - Sold old machines and bought a new, efficient ones?

■ Retained earnings

- Negative given the Net Loss

■ Cash and cash equivalents

- Injection of Share Capital led to the positive balance
- Has settled the OD in 2021

■ Borrowings

- No change; has not borrowed

Item	2021	2020	% Change
Intangible Assets	3,690	3,105	19%
PPE	5,945	6,840	-13%
Inventory	2,300	1,950	18%
Other Receivables	1,160	1,225	-5%
Cash	329	-	N/A
Tota Assets	13,424	13,120	2%
Share Capital	600	500	20%
Share Premium	35,300	30,400	16%
Retained Earnings	(38,196)	(34,100)	12%
Total Equity	(2,296)	(3,200)	-28%
Borrowings	5,600	5,600	0%
Overdraft	-	1,240	N/A
Trade & Other Payables	10,120	9,480	7%
Total Equity & Liabilities	13,424	13,120	2%

Statement of Cashflows

- **Operating activities**
 - *Negative balance*
 - *Issues with managing operating cashflows*
- **Investing activities**
 - *Negative balance*
 - *Has invested on PPE & Intangible Assets*
 - *Intangible Assets: Bought recipes or upgraded the app?*
- **Financing activities**
 - *Positive balance*
 - *The owners have introduced share capital to manage negative cashflows*

Item	N\$ 000
Net cashflow from operating activities	(2,151)
Net cashflow from investing activities	(1,280)
Net cashflow from financing activities	5,000
Net cash & cash equivalents	1,569
Opening cash & cash equivalents	(1,240)
Closing cash & cash equivalents	329

Ratio Analysis

Type	Ratio	2021	2020	Difference
Profitability	GP Margin	46%	44%	2%
	OP Margin	-6%	-15%	9%
	NP Margin	-7%	-16%	10%
	ROCE	-112%	-323%	211%
Activity	Receivable Days	7	9	-2
	Inventory Days	25	25	-
	Payable Days	109	123	-14
	Cash Conversion Cycle	-78	-89	11
Gearing	Gearing 1	-244%	-175%	-69%
	Gearing 2	169%	233%	-64%
	Interest Cover	-9	-14	5
Liquidity	Current Ratio	0.4	0.3	0.1
	Quick Ratio	0.1	0.1	0.0

Ratio Analysis: Profitability

■ GP Margin has increased by 2% - Marginal

- *Due to aggressive price competition within the industry*
- *Sales has increased (24.1%)*
- *CoS has increased (20.3%)*
- *Has managed CoS*
- *To manage further*
 - Variance Analysis
 - Embrace full automation
 - Finding suppliers which provide value for money (since ingredient costs are high)

■ OP Margin has increased by 9% - Good

- *Better management of operating costs*

■ ROCE is negative

- *Due to the Operating Loss*
- *The ROCE has improved due to the OL reducing by 52%*

Ratio Analysis: Activity

- *Inventory days has not changed*
 - *Stocks are converted to cash within 25 days*
 - *In line with industry dynamics*

- *Receivable days has decreased slightly*
 - *Not too relevant since M@H is a B2C business*

- *Payable days has dropped by 14 days*
 - *Payment terms granted by suppliers range from 30 to 60 days*
 - *Payable days for 2021 is 109 days (49 days beyond supplier requirements)*
 - *Company should stick to payment terms to maintain collaborative relationships with suppliers, thus managing internal operations and quality appropriately*

- *CCC*
 - *Has improved by 11 days*
 - *However, the CCC is negative due to high payable days*
 - *M@H is engaged in Overtrading*
 - *Major issue which needs to be addressed instantly*

Ratio Analysis: Gearing & Liquidity

- **Gearing** has decreased by 64%
 - *Gearing is not at an acceptable level (169%)*
 - Mainly due to Equity being negative
 - Has raised share capital to manage negative cashflows
 - *The company will find it difficult to raise debt finance in the future*
- **Interest Cover** is negative
 - *The company cannot meet its debt obligations easily*
- **Current Ratio** has increased slightly
 - *Ideal is 2:1 (actual is 0.4:1)*
 - *Need to improve significantly*
 - To improve: control payables & cashflow issues
- **Acid test ratio** has increased slightly
 - *Ideal is 1:1 (actual is 0.1:1)*
 - *Need to improve significantly*
 - To improve: control payables & cashflow issues

THANK YOU!



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