



LSBF

Module **Accounting and Managerial Finance**

Assignment Title **AMF Written Coursework Assignment**

Assignment Type **Individual Assignment**

Word Limit **3,500 – 4,000**

Weighting **100%**

Plagiarism When submitting work for assessment, students should be aware of the LSBF guidance and regulations concerning plagiarism. All submissions should be your own original work.

You must submit an electronic copy of your work. Your submission will be electronically checked.

Please note that Turnitin uses an AI writing indicator, which detects when AI writing tools, like ChatGPT, have likely been used to write text. While these tools may be useful for developing outlines or editing, we discourage you from using AI writing tools to generate final text for your assignments.

Harvard Referencing & Special Instructions The Harvard Referencing System must be used. The Wikipedia website must **not** be referenced in your work.

You are allowed to upload only **ONE** attachment (e.g. an Excel sheet) in addition to your original assignment, unless there is a requirement for more than one document in the assignment brief.

You **must** upload your assignment in PDF or Word document format. Your paper will not be graded if it is submitted in any other format.

Please include the exact **word count** of the assignment on the title page.

Learning Outcomes

On successful completion of this assignment you will be able to:

1. Summarise key principles, trends and tools in accounting and corporate finance.
2. Demonstrate effective approaches to the analysis of corporate finance structure and analysis of corporate financial statements.
3. Assess the value of practical value of models and theories on making decisions on corporate financing in context.
4. Critically evaluate the benefits of various types of financing for different kinds of organisations.
5. Utilise internal and external financial information to appraise business performance.



Grading Criteria Postgraduate Grading Criteria for this assignment is available at the end of this document.

Your Task

Question 1 of the individual assignment is to perform a detailed financial analysis of Unilever Plc using key financial ratios and analysis of company financial statements. A critical evaluation of the financial health of the company, including vertical analysis and assessment of the company's capital structure, should also be submitted.

Question 2 of the individual assignment is to prepare a report for the investment board of Unilever Plc that appraises an investment project that will be evaluated based on the information provided below for Question 2.

Important: The two components of this assessment are independent of each other.

Question 1 – 50%

Using the following link: <https://www.unilever.com/investor-relations/annual-report-and-accounts/archive-of-annual-report-and-accounts/>

Download the group **annual** reports of Unilever for the past three years and provide a critical analysis of the financial health of the company. Under the financial statements section, you will find the group's consolidated financial statements and the notes to them. (This report should be a minimum of 2,500 of the word count.)

Required:

a) Briefly introduce the company and present its current mid-term (5 years) outlook. Make sure you also include an analysis of the company's share price to the present. (Maximum of 300 words.)

[5 marks]

b) Calculate Unilever's key financial ratios (for at least the 3 most recent years) and present them in the report in table or chart format. Key ratios must cover all ratio categories: profitability, liquidity, efficiency, investment, and gearing (leverage) ratios.

[15 marks]

c) Interpret the financial ratios and analyse Unilever's financial performance in the **most recent year** (the newest annual report) in comparison to its previous years as well as its competitor/industry. Make sure you justify any significant differences (trends) you observe here.

[20 marks]

d) Support the above analysis with vertical analysis of Unilever's consolidated income statement and balance sheet and then critically assess the company's capital structure.

[10 marks]



Notes: The accompanying analysis should be detailed and provide reasons for any changes. Utilise both internal and external (financial and non-financial) information to support your analysis. Simply stating that a certain ratio has changed and by how much is not sufficient for analysis at this level. **All equations and findings must be included in the report.**

[Total Q1: 50 marks]

Question 2 – 50%

Unilever is currently evaluating a new project (called 'Stay Healthy') to produce organic and vegan food. The project will require an initial outlay of €65m and is expected to have a three-year life span. The projected cash flows associated with the project are displayed in the below table:

Table 1: Unilever Plc potential project's cash flow information

All figures in €'m	2021	2022	2023
Sales	85.0	87.0	92.0
COGS	(46.8)	(47.9)	(50.6)
Gross Profit	38.3	39.2	41.4
Operating Expenses	(2.0)	(2.5)	(3.0)
EBITDA ^a	36.3	36.7	38.4
Depreciation	(1.0)	(1.0)	(1.0)
EBIT ^a	35.3	35.7	37.4
Tax Expense	(6.3)	(6.4)	(6.7)
EBIAT ^a	28.9	29.2	30.7
CAPEX ^b	2	3	2
Investment in Working Capital	0	0	5

^aEBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation.

EBIT: Earnings before Interest and Taxes.

EBIAT: Earnings Before Interest and After Taxes.

For simplicity, Taxes calculated assuming no interest expense.

^bAnnual capital expenditures in addition to the initial outlay, and assumed to cease at the end of the project.

The project has a debt capacity of 50% of the cost of the project, with an annual interest charge of 5%. The company currently has €10m of retained



earnings available for this project, and the remainder would potentially be financed with a rights issue. The rights issue incurs additional costs of 2% of the amount raised, and the debt issuance is a bit cheaper, costing 1%, where both issue costs are tax deductible.

Table 2: Additional information

Key Rates and Figures	
Risk-free Rate (i_{rf})	?
Project Cost of Debt (i_d) pre-tax	5.00%
Market premium	?
Marginal Corporate Tax Rate	25.00%
Unilever Plc's unlevered Beta (β)	0.4

You will need to research the other values needed to complete Table 2 above.

Required:

The company believes it will be a successful project and will help to distinguish them from their competitors. However, they would like you to evaluate the project using different methods and present a proposal to the investment committee in order for them to approve it.

- a) Unilever is considering financing the project with 50% debt. Using the Internal Rate of Return (IRR) and Net Present Value (NPV), appraise the project.

Hint: calculate the free cash flow of the project and use CAPM to compute the discount rate.

[12 marks]

- b) Evaluate the project using Adjusted Present Value (APV).

[12 marks]

- c) Assuming the market risk of the project is similar to the overall market risk of the firm, revise the project's NPV using the Weighted Average Cost of Capital (WACC). Contrast the answer to part a).

[12 marks]

Note: Assume the same level of debt is held until the end of the project. Do not consider the repayment of the debt principal in any of the above valuations in parts a) to c).

- d) Compare the methods used and give a final recommendation to the investment committee. Make sure you critically evaluate all methods and discuss other risk factors that were not included in the analysis.

[14 marks]

[Total Q2: 50 marks]



Suggested Structure:

The presentation is open to your own interpretation of the project but should include the following items as a minimum:

- 1) Executive summary (objectives and content)
- 2) Rationale for the project (describe the current situation)
- 3) Ratio analysis (financial and non-financial)
- 4) Project financials (investment valuation methods)
- 5) Project risks (minimum one each of financial and non-financial)
- 6) Critical discussion of the methods (if the company did not invest in the project)
- 8) Final recommendation to the investment committee for the chosen funding method and supporting reasons for the choice

Guidelines

Please read all questions and information provided carefully. Answers should be an appropriate length, keeping in mind the question requirements and total word count allowance.

In addition, your assignment should demonstrate the following qualities:

A critical appreciation of relevant literature and its use to support your argument, substantiate calculations, and address other aspects of the assignment.

Taking ownership of the content, being prepared to debate and argue a personal position, and providing evidence of evaluative skills. A submission made up of extracts from published sources which is descriptive or simply theoretical regurgitation is not acceptable. Your submission must have interpretation and consideration of the challenges and issues of applying theory to practice.

Logical flow of ideas and treatment; appropriate selection of real-world factors related to the companies under scrutiny.

Evidence of additional personal research, and the ability to analyse material from a variety of appropriate, relevant perspectives.

Presentation, structure, appropriateness of methodology, breaking into section headings/subheadings, tidiness.

Marks will be awarded for proper referencing and originality of work. Also note that plagiarism is a serious offence and your submission will be electronically checked.

Your report must be handed in electronically no later than the given date of submission.



Grading Criteria

Grading Criteria	70%+ (Distinction)	60-69% (Merit)	50-59% (Pass)	0-49% (Fail)
Generic skills: communication and presentation.	Comprehensive and correctly structured assessment. Style of writing is very fluent and develops a coherent and logical argument. Excellent referencing.	Well structured report which follows appropriate format but some aspects of layout and referencing could be improved. Style of writing is fairly fluent. Good referencing.	Good report in most aspects but suffers from variations in quality and the layout contains some inadequacies. Style of writing is satisfactory. Referencing needs improving.	Very poor report which is incorrectly structured and contains major errors and omissions. Style of writing is descriptive, lacks coherence and fluency. Poor referencing.
Knowledge & Understanding	Demonstrates excellent knowledge of theory and provides critical theoretical underpinning. Very good interpretations and summarising of main themes.	Wide range of knowledge demonstrated and evidence of good understanding of the topic. Ability to interpret and summarise succinctly.	Good range of knowledge demonstrated but with some room for improvement. Some understanding displayed of the topic. Summary and interpretation are satisfactory.	Very poor range of knowledge, research and interpretation of information that is subjective and lacks conceptual coherence. There is no clear identification, understanding or interpretation of main themes.
Analysis	Excellent use of theoretical and conceptual models to guide analysis linked with a critical discussion of main themes. Has demonstrated an ability to discriminate in the use of more abstract concepts and techniques.	Very good use of the theoretical and conceptual models with good critical discussion. Has applied a range of analytical skills with greater independence and understanding of more abstract data or concepts.	Use of theory and concepts limited in scope and depth but relevant. Application could be improved and there is a tendency towards description rather than application of concepts.	Very poor use of theory and very little application of core concepts. Very little or limited analysis and evaluation in relation to fundamental principles and concepts.
Synthesis/ Creativity/ Application	Logical presentation of themes with appropriate examples being demonstrated. Very good demonstration of synthesis. Models have been clearly applied to the argument.	Very good account of main themes with sound application. Good attempt at applying models to the argument. Fairly good attempt at synthesising the salient points.	Good account of main themes with some attempt at application. Limited evidence of synthesis.	Very poor account of main themes with little or no application. No links between models and argument.
Evaluation	Shows clear evidence of in-depth critical reflection and evaluation of the argument by providing a robust defence of the opinions presented in the assessment.	Shows evidence of critical reflection and evaluation and a fairly cohesive defence of the argument	Shows some evidence of critical reflection but could have been developed.	Shows little or no evidence of critical reflection and needs to be much more developed. There is no defence of the opinions presented.