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NEW QUESTION: 1

You have received the following email from Marcus Svenson, Finance Director:

From: Marcus Svenson, Finance Director

To: Senior Finance Manager

Subject: Investment opportunity

Hi,

The Board is considering an investment opportunity to buy a forest in Bravador, a country in South America. This will be a major expansion and will also enable us to diversify into new lines. For example, the forest contains lots of hardwood varieties that we could sell to companies in the double glazing industry or to furniture manufacturers. I downloaded the attached extract from an online encyclopaedia for your information. The forest that we are planning to buy has not been used for commercial purposes until now. The land belonged to the Government for many years and it has been left to grow naturally. The Government is now keen to sell the land and has agreed that it may be used for commercial forestry purposes.

This investment will enable us to increase our output of softwoods by up to 20% per year, in addition to enabling us to enter the hardwood market.

I need two things from you. I need you to recommend a suitable approach to managing our relationship with the Bravadorian Government. I also need you to identify and explain the political risks that will remain even if we succeed in creating a sound relationship with the Government.

Marcus

Reference Material:

Encyclopaedia of Trees (extract)

Hardwood



Hardwood is derived from trees that reproduce from flowers and have broad leaves.

The wood from these trees tends to be harder than from softwood varieties although this is not always the case, with hardness varying considerably between species.

Commercially, hardwood is used in a variety of applications including boat building, furniture making and flooring. Hardwood tends to cost more than softwood. Some species of hardwood trees are becoming scarce because of over-exploitation.

Softwood



Softwood trees develop seeds on the surface of scales or leaves, often in the form of cones.

Softwood trees tend to grow much more quickly than hardwood and are generally better suited to commercial forestry applications.

The wood is generally less expensive. It is often used for construction, either as planks or beams or pulped and reconstituted as medium density fibreboard (MDF) or chipped and pressed into chipboard.

Pulp from softwood trees is also used in the manufacture of paper.

Complete your answer and submit

NEW QUESTION: 2

A further eight weeks have passed since the discussion concerning Wodd's creation of an accredited Forest Certification Service.

Wodd's Chairman has asked you to a meeting:

"I thought that we had a lucky escape over the Barry Crauder story from a recent news article, but the Government is considering modifying the tax arrangements associated with forestry. Professional forestry companies such as Wodd will continue to pay no tax on forestry profits, but private individuals such as Mr Crauder will be taxed on profits just as they would for any other business. The Government is taking this action because public opinion is against granting generous tax relief to wealthy individuals.

For the moment, this is all highly secret. The minister responsible for forestry has spoken to the chairmen of all of the major forestry companies on the basis that each gives a personal guarantee to respect the Government's confidence. The minister has done so because she is concerned that stock markets will panic when the news of the tax changes are announced next week. If the shareholders incorrectly believe that we will lose the tax shield on our profits then the share price will drop like a stone. We will be able to announce that we are aware of the changes and that we will not be taxed differently because of them.

I have spoken to the Board about this, making them promise not to repeat any of this information. We have called in and briefed the key analysts who advise the main institutional investors in Marland on the forestry industry.

As things stand, we can expect a lot of the wealthy individuals who own forests to divest themselves as soon as they discover that there are no more tax incentives. That will have significant implications for Wodd, both directly and indirectly.

The Board believes that the markets will overreact when the tax changes are first announced and that we will be unable to do much to manage that. One suggestion that has been put forward is that we should increase the dividend slightly as a signal that we are confident in the future strength of the industry. I suspect that the executive directors are just a little too concerned with the fact that they all have stock options that can only be exercised on a date that falls just after the government is due to announce its intentions on tax.

I need your thoughts in order to have an independent viewpoint from that voiced by the Board:

- * What effect will the tax changes have on our business?
- * Do you agree that briefing the analysts will mitigate the risk of our share price overreacting when the tax changes are announced?
- * Will the additional dividend payment help to maintain the share price?
- * Is granting executive stock options always a sound basis for aligning the interests of the executive directors and the shareholders?"

Answer:

Complete your answer and submit

NEW QUESTION: 3

You received a telephone call at home early in the morning, asking you to check your emails. The following email was waiting for you:

From: William Seaton, Director of Finance

To: Finance Manager

Subject: Public relations crisis

Hi,

This email arrived from the Head of our Middle East office just now. They are a few hours ahead of us, so he rang me at home to make sure that I had seen his message.

We have a few hours before the news article will be published, so I need to make the best use of that time in order to limit the damage to Slide. Your priority is to protect our reputation because I have already woken up the engineers and geologists and they are going to deal with the actual oil spillage.

I am not thinking too clearly, so I need you to provide some initial thoughts on the following:

- * Should we use our business relationship with Business News to have them withdraw the story? We are a major advertiser and we spend millions with them every month. What are the advantages and disadvantages?
- * Should we respond with the facts as we know them? All we know for certain is that there have been reports of oil contamination in an area that has countless oil facilities nearby, and so we could deny all responsibility, at least until our experts have had the chance to get there and to investigate.
- * If we do decide to make a public announcement then we will need to have a plan in place. We need to assemble a team to deal with the press. How should we structure our media response team?
- * What are the key factors that the Board should consider when communicating with the press? Explain why the factors that you have identified are important.

I realise that it is still very early, but I need your thoughts very quickly.

Thanks

William

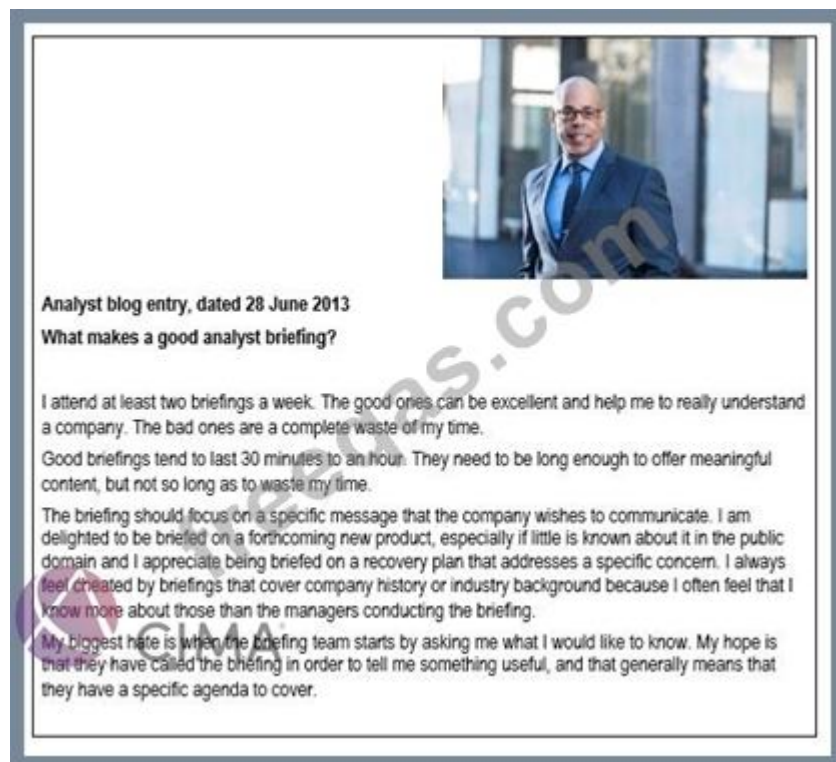
The email referred to above can be found by clicking on the Reference Materials button.

Answer:

Complete your answer and submit

NEW QUESTION: 4

Reference Material:

A screenshot of a blog entry titled "What makes a good analyst briefing?" dated 28 June 2013. The entry is written by an analyst and discusses the importance of briefings. It includes a photo of a man in a suit and tie. The text is as follows:

Analyst blog entry, dated 28 June 2013

What makes a good analyst briefing?

I attend at least two briefings a week. The good ones can be excellent and help me to really understand a company. The bad ones are a complete waste of my time.

Good briefings tend to last 30 minutes to an hour. They need to be long enough to offer meaningful content, but not so long as to waste my time.

The briefing should focus on a specific message that the company wishes to communicate. I am delighted to be briefed on a forthcoming new product, especially if little is known about it in the public domain and I appreciate being briefed on a recovery plan that addresses a specific concern. I always feel cheated by briefings that cover company history or industry background because I often feel that I know more about those than the managers conducting the briefing.

My biggest hate is when the briefing team starts by asking me what I would like to know. My hope is that they have called the briefing in order to tell me something useful, and that generally means that they have a specific agenda to cover.

Wodd's Chief Executive, Peter Sorchi has stopped you in the corridor:

"This weak USD is really causing us some serious problems. I think that it is only a matter of time before the stock market starts to get nervous and I am worried that our share price will fall in the near future. Thank goodness it does not appear to have fallen by much so far.

I would like to brief the Board on two main issues tomorrow. Firstly, what can we do as a Board in order to minimise the negative impact of the weak USD on our share price? Secondly, we know the identities of the key investment analysts who deal with our industry. Would it be a good idea for us to brief them? Please also consider the ethical issues arising from both of these topics as well as the more technical matters.

Please let me have a copy of your briefing notes in advance. I need to be able to sound convincing at the meeting. I'll also have my secretary refer you to a really helpful blog."

Answer:

Complete your answer and submit

NEW QUESTION: 5

The Director of Finance, William Seaton, has stopped you in the corridor:

"Your report was really helpful, but the Board is still considering the implications of that email from Jan Archibald at Fouce Oil. I need to make a more detailed report to the Board and I would like you to draft it for me.

I know that we have owned and operated oil wells in the past, but that has always been with the intention of finding a buyer who is prepared to pay a realistic price. We have chosen never to think about the implications of keeping wells.

I need a report from you that covers the following issues:

- * The key political risks of retaining our interest in these oil wells, with particular emphasis on high consequence, high likelihood risks.
- * A suitable response to each of your political risks.
- * An overview of how changes in the global economy and the demand for oil could affect the decision to proceed.
- * The challenges associated with putting together a management team to take charge of the production side of this proposed new strategy.

I realise that this is a lot to ask of you, but I need you to move quickly because of the interest from our biggest shareholder."

Answer:

Complete your answer and submit

NEW QUESTION: 6

You have received the following email from Marcus Svenson, Finance Director:

From: Marcus Svenson, Finance Director

To: Senior Finance Manager

Subject: News reports

Hi,

I have sent you a link to a news site on the internet. Things are getting complicated in Bravador.

Every Board member has been asked to attend a brainstorming session this afternoon, before the CEO flies out to Bravador this evening. We will be considering the following four matters:

- * Is it acceptable for us to develop this forest, given the commitment that we have made with respect to indigenous peoples' rights? They have been quoted at the end of the news article.
- * Is it fair for the environmental protestors to complain that our operations are unsustainable?
- * Would it be unethical to offer to build a village, with a proper school and medical clinic, for the tribe and to offer them work in our forestry operations?
- * Is it really a good idea for the CEO to fly to Bravador just to appear on the television news in his boots and overalls?

Please email me your thoughts on each of these matters before I leave for the meeting this afternoon.

Marcus

Answer:

Complete your answer and submit

NEW QUESTION: 7

Press clipping from today's Financial News:

Yesterday's announcement of yet another major oil find by Slide should keep everybody happy. Nobody will be happier than the directors of Fouce Oil, whose continuing ownership of one quarter of Slide's shares continues to confuse industry insiders. Perhaps there are hidden depths to the relationship between Slide and Fouce Oil.

Answer:

Complete your answer and submit

NEW QUESTION: 8

You have received the following email from Peter Sorchi, CEO:

From: Peter Sorchi, Chief Executive Officer

To: Senior Finance Manager

Fwd: Tax avoidance article

Hi,

I am forwarding you an email from a journalist. It came in via our press office, who passed it up the management chain and it ended up in my inbox.

Some of the basic facts stated in the draft article are correct:

- * We do have arrangements in place with leading tax advisers for referrals of potential clients. We pay a commission for all such referrals, which the tax adviser is required to disclose to the client.

- * Barry Crauder has been one of our largest clients for many years. He owns significant forested land and we manage that in return for our usual fee.

- * We do not offer tax advice, or promote forestry as a tax-efficient investment. We simply offer a forestry management service as a paid service.

I would like you to address the following issues and I need your reply as a matter of some urgency.

Could we be accused of behaving unethically with respect to this aspect of our forestry management service?

Please draft a response that we can submit to Sonia Jones. Please also give an explanation for the Board as to how you will address the fact that the draft newspaper article clearly makes us appear to be unethical. We will consider your draft and related comments at a meeting this afternoon, before submitting anything.

Peter

To: Press Office, Wodd

From: Sonia Jones, reporter, Daily Gazette

Re: Tax avoidance article

I am seeking a response from Wodd concerning the activities of the celebrity Barry Crauder. We have established that Mr Crauder has been investing heavily in forestry in order to avoid paying tax on the considerable wealth that he has amassed from his show business career.

We believe that a significant part of this story is the relationship between forestry companies such as Wodd and professional tax advisers.

When researching this story I posed as a wealthy investor and approached several firms that specialise in offering tax avoidance advice to high net worth individuals. Four of the firms whom I approached recommended a forestry scheme and specifically recommended Wodd to manage it for me. I believe that Wodd has a close relationship with these firms and possibly others.

I have attached a draft of my story. I have sufficient evidence to support every fact stated. I am writing in order to give Wodd the opportunity to respond if it wishes to do so, although the story will run regardless. I will require your comment within 48 hours, otherwise, I will run the story as it stands.

Sonia Jones

Chief reporter, Daily Gazette

Answer:

Complete your answer and submit

NEW QUESTION: 9

It is now three days since the start of the oil spillage crisis.

You have received the following email from William Seaton, Director of Finance:

From: William Seaton, Director of Finance

To: Finance Manager

Subject: Crisis management issues

Hi,

A quick update on the latest developments.

We have brought Block Associates in to lead the operations on dealing with the oil spill. It has assigned one of its leading consultants to take charge of this for us. We have paid Block Associates an annual retainer for many years, but we have never actually had to call on its services because we have been able to contain any environmental problems using our own resources.

Using Block Associates is going to be expensive. It insists on being free to bring in whatever equipment and personnel are required to resolve matters and to charge that on the basis of cost plus 25%. Our annual retainer is simply the cost of ensuring that it will respond on this basis if required.

We have had some murmurings of discontent already because our own engineers and geologists have made significant progress in identifying the cause of the spillage and they believe that they are capable of bringing it to a successful conclusion. They have suggested that it would be both quicker and cheaper to leave them in charge, while retaining the option to bring in Block Associates at a later date if they fail.

* Firstly, what factors should we take into account in deciding whether to leave our own experts in charge of this operation rather than using Block Associates?

* Secondly, how should we manage our relationship with Block Associates if we decide that it should be used?

* Thirdly, two things: The Board is concerned that Slide's engineers and geologists have already become disillusioned by the decision to consider calling in Block Associates. We cannot afford to lose their commitment or to see them decide to leave Slide in the longer term. I need you to provide me with some ideas as to how we can motivate them to give their best performance for the duration of this crisis AND to inspire them to remain in Slide's employment after the crisis has been resolved.

William

Answer:

Complete your answer and submit

NEW QUESTION: 10

Three months has passed since the discussion concerning Fouce Oil's proposal.

You have received the following email from William Seaton, Director of Finance:

From: William Seaton, Director of Finance

To: Finance Manager

Subject: Fouce Oil's proposal to collaborate on exploration

Hi,

After deliberating at length on the various discussions that we have had with Fouce Oil since its initial approach, we have decided to proceed.

We need to work out some important details, otherwise this venture will be a disaster.

Please draft a report that covers the following matters:

- * Should we create a formal coaching and mentoring scheme, whereby members of Fouce Oil's exploration staff will receive guidance from their counterparts at Slide? Please explain the advantages and disadvantages of doing so very clearly.
- * Please explain how best to organise a formal coaching and mentoring scheme, if we decide that we should create one.
- * How should we manage the business relationship between the two companies' exploration staff for the duration of this arrangement?
- * What are the difficulties associated with decision-making on exploration issues and how should we address those?

The collaboration goes live in a few weeks and so I need your input urgently so that I can get things moving.

William

Answer:

Complete your answer and submit

NEW QUESTION: 11

The following email has been forwarded to you by William Seaton, Director of Finance:

From: William Seaton, Director of Finance

To: Finance Manager

Subject: Yesterday's Board meeting

Hi,

One of my fellow Board members made a brief presentation to the Board. I am attaching the slides that were used in this presentation.

I have to say that I thought that some of the advice being offered to the Board was incorrect, but I would rather make a positive contribution to the discussion and so I said very little.

I need you to email me your thoughts on the following:

- * Your views on the presentation relating to tax matters
- * Your views on the briefing relating to the decision making process
- * Your views on the briefing's recommendations on driving performance
- * Finally, an alternative briefing note on driving performance. Ideally, that should be two or three headings, with a clear explanation for each.

As usual, this is urgent. Many thanks for your help so far with this project.

William

The slides can be found by clicking on the Reference Materials button.

Answer:

Complete your answer and submit

NEW QUESTION: 12

Newsweb

Wodd and Darrell announce plans for restructuring

True to form, the ink was barely dry on the last contract before the corporate restructuring experts arrived to "counsel out" the staff who have become "surplus to requirements". Wodd and Darrell have still to agree on a new name for their merged entity, but they have already announced the need for "efficiency savings". The first redundancy notices have already been issued and many more are expected to follow over the next few weeks.



Answer:

Complete your answer and submit

NEW QUESTION: 13

Save North Forest!

North Forest is located in an area of outstanding natural beauty that also includes a number of small towns and villages. Many local residents moved into the area after retiring and were attracted by the opportunity to breathe fresh air and be surrounded by beautiful views. In doing so,

we have brought wealth into a local economy that was struggling because there was little employment to encourage younger people born in the area to stay.

Wodd plans to destroy North Forest in order to fuel a power station that will, in itself, spoil the view as well as polluting the atmosphere.

Globally, vast areas of forests are cleared every year for commercial exploitation. This creates untold risks for the planet because trees are responsible for giving us breathable air.

Local residents are working together with Green Marland, Marland's largest environmental campaigner, to draw attention to the damage that Wodd is threatening to inflict on this area.

We ask you to write to the Government planning department to ask it to refuse to issue a permit for this development. We also ask you to sign our online petition and to consider joining us in peaceful and non-violent direct action against the bulldozers in the event that our efforts to block the granting of a Government permit should fail.



Answer:

Complete your answer and submit

NEW QUESTION: 14

SIMULATION

A month later, you receive the following email:

From: Romuald Marek, Chief Finance Officer
To: Senior Finance Manager
Subject: Aviation fuel supplier

Hello

I have forwarded an email that I received from Hesham El-Sayed, the Convener of Arrfield's Audit Committee.

I need you to draft a paper for me that covers the following:

- Firstly, evaluate the value of an internal audit investigation into the manner in which Capital City International's (CCI) management team has behaved in regard to Planejoos. **[sub-task (a) = 50%]**
- Secondly, evaluate the validity of the arguments put forward by CCI's management team that its actions had been consistent with an ethical duty to maximise the wealth of Arrfield's shareholders. **[sub-task (b) = 50%]**

Thanks

Romuald Marek
Chief Finance Officer
Arrfield

Reference Material:

From: Hesham El-Sayed. Independent Non-executive Director
To: Romuald Marek. Chief Finance Officer
Subject: Collapse of fuel supplier
Hi Romuald

I am writing to give you some advance notice of an internal audit investigation that has been commissioned by the Audit Committee Just over a year ago. Planejoos, a newly formed company, approached the management team at Airfield's Capital City International (CCI) airport and offered to take over refueling operations at Starport Planejoos offered a higher percentage of revenue than the existing supplier was paying CCI's management team agreed and appointed Planejoos rather than renew the existing supplier's contract.

CCI was unable to conduct the usual background and credit checks on Planejoos for two reasons. Firstly, Planejoos was a new company and so did not have an extensive credit history that could be checked Secondly CCI was under time pressure to reach a decision on whether to renew the existing supplier's contract or allow it to expire CCI's management team claimed that it had acted quickly in order to benefit from the additional revenue that could be earned from dealing with Planejoos The management team was acting on the basis that it had an ethical duty to maximise the wealth of Airfield's shareholders and that maximising revenues from fuel sales through this agreement with Planejoos was consistent with that ethical duty.

Unfortunately, as a new company. Planejoos struggled to obtain trade credit and the high demand for fuel put the company's cash flows under extreme pressure Receipts from sales lagged behind payments for inventory Planejoos has now collapsed, leaving a large trade receivable that

CCI will have to write off as uncollectable CCI had permitted this receivable to accumulate rather than pressing for payment and so putting Planejoos under further pressure.

Fortunately, the previous fuel supplier was prepared to return to CCI.

Kind regards

Answer:

See the explanation below

Explanation:

Requirement: 1

The acceptance of Planejoos at Capital City International airport with out credit rating check is a sign of poor internal audit practices. The CCI is the biggest airport the Arrfield owned and amongst the world big airports. The Planejoos is a newer and inexperienced company without sound credit and financial history, the collapse of aviation fuel provider at a major airport is credit and reputational risk. The internal audit performance lacking in Arrfield which is in the aviation business could put the business in danger and needs to be corrected. The poor performance of internal audit by not insuring compliance could make damage i.e. a terrorist could attack the aircraft and landside if proper checking are not done. The aviation business are vulnerable to hijacking, human trafficking and smuggling. A special attention must be invited to internal audit.

The overall performance of the internal audit and audit committee is questionable here. The audit committee is not formulated correctly. No non-executive director have sound financial expertise. Martin Harris is the only NED with financial expertise and taking him out of audit committee is not sign of good corporate governance. The new leadership at the audit committee with savvy of financial knowledge must be on the board.

Martin Harris should be taken on the board in replacement of Carmelita Tante. Revamp the internal audit department and startup a credit department which is also responsible to rating checking.

Arrfield must also think about to formulate a risk committee to check the risk and ensure that the risks are properly managed.

Requirement : 2

It is the duty of the management to maximize the shareholder's wealth, but a proper care must be taken while making any decision on behalf of the shareholders. It seems due care is not given to the decision and the decision was made in haste.

It is not only duty of the management to maximize wealth of the shareholder, they are supposed to protect the wealth of the shareholders. Any decision not taken within the risk appetite of the company may lead to breach of ethical principles.

The shareholders trust on the management that they will make the decisions in best interest of the company even if this is not their own interest. In case of the Planejoos the management has neglected the credit rating check and made the decision solely on the basis of prices that Planejoos quoted. It seems that this decision does not fit in the risk appetite and risk tolerance of the Arrfield.

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