



EBC*L Examination Level B

Part 2: Investment Analysis, Financial Planning, Financing

Dear exam candidate,

Please complete the form below accordingly. By signing this form you hereby affirm that, this examination was written solely by yourself, without the help of any other person. You agree to have your data electronically recorded and processed and to electronic transmission of the results of your exam including other information relevant to EBC*L certification.

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Please use the provided answer sheets ONLY for your answers (Do not use the question papers). If you need any additional answer sheets, please refer to your invigilator.

Good luck!



COMPREHENSION QUESTIONS (6 points each)

13. At the beginning of the year, the balance sheet shows the following figures:

Equity:	50.000
Balance sheet total:	80.000
Current assets:	40.000

- a) Complete the balance sheet (basic structure)
- b) Construct a year-end budgeted balance sheet based on the following assumptions:

In February there will be an investment in a machine. The original cost is 20,000 euros. The expected life span of the machine is 10 years. It will be wholly financed through borrowing and there is a moratorium on the repayment of the loan in the first year (both principal and interest instalments).

14. Due to the bankruptcy of a client, DEF, a furniture dealership has to bear a huge bad debt write-off. Although this leads to a massive liquidity squeeze, it will only be for a short period because a large account receivable from another key customer is due in two months. An entrepreneur friend has advised the furniture dealer to also consider factoring.

- a) Explain what the term “account receivable” means.
- b) Explain what the term “liquidity squeeze” means.
- c) Explain what the term “factoring” means. Name one advantage and one disadvantage of factoring.

15. In the high tech firm XYZ, the only projects that are authorised are those that could be amortised in a maximum period of three years. The first valuation of the product “Highcast”, carried out by the project manager, Frank results in an amortisation period of 4 years.

- a) Describe what is meant by the amortisation period of a project or an investment.
- b) Name the formula that is used in calculating the amortisation period.
- c) Name two variables that Frank could change in the planning to reduce the amortisation period.

Points



CASE STUDY (14 points)

16. An accident surgeon plans to acquire for his surgery, a highly advanced laser that would enable him achieve sensational results in the treatment of meniscus damage.

The acquisition cost of the laser is 40,000 euros. According to the manufacturers, the piece of equipment can be expected to last about 5 years at normal usage.

The surgeon intends to charge 400 euros per treatment. In order to implement this plan it would be necessary to hire an extra part time assistant. This would cost an annual salary of 20,000 euros (including ancillary wage costs).

Costs per treatment are: 10 euros energy bill and 100 euros for surgical materials.

The surgeon projects carrying out about 5 treatments per week. His surgery is open 20 weeks a year.

- a) Construct a break-even-point calculation (on one year's projection) and decide, based on the figures above, if the surgeon should risk investing in the laser. (10 points)
- b) The laser dealer offers the surgeon an option to finance the acquisition through leasing.
- Explain what is meant by that.
 - Name two advantages for the surgeon if he decides for the leasing option.