
**DIPLOMA IN CORPORATE FINANCE
SPECIMEN PAPER – PART 2**

**CORPORATE FINANCE
STRATEGY AND ADVICE**

DATE OF EXAM	SPECIMEN PAPER
3 HOURS	2.00 pm – 5.00 pm
RUBRIC	ALL questions are to be answered

NOTES TO CANDIDATES

1. Please insert your Candidate Number on the cover of your Answer Book. **Do not insert your name.**
2. Show **all** workings in your Answer Book.
3. Candidates may attempt the sections in any order. Please indicate clearly in your Answer Book which questions you are answering.
4. Please insert in the box provided on the cover of your Answer Book the numbers of the questions you have attempted in the order in which they appear in the Answer Book.
5. You may use the calculator provided or one approved by the Chartered Institute for Securities & Investment.
6. You must hand your Answer Book to an invigilator before you leave the Examination Hall. **Failure to do so will result in disqualification.**
7. Candidates are reminded that no marks will be awarded for illegible work.
8. The decision of the Exam Panel is final and no correspondence will be entered into concerning the grade awarded.
9. Once submitted, the examination scripts become the property of the Chartered Institute for Securities & Investment and Institute of Chartered Accountants in England and Wales and will not be returned to candidates.

Answer ALL questions

In April 2011 JJB Sports plc (JJB) successfully completed a £65 million capital raising, CVA (Company Voluntary Arrangement) and transfer to AIM. Since then JJB has experienced difficult trading conditions and reported a loss before taxation for the year ended 29 January 2012 of £101,129,000. Assume it is now April 2012.

The Board of JJB intends to carry out a further capital raising of £30 million (before expenses) by way of the exercise of 2011 Warrants, the issue of Subscription Shares, First Convertible Loan Notes and a strategic alliance with Dick's Sporting Goods Inc.

Your firm has been asked to advise JJB on its future strategy and financing needs. A partner in your firm has asked you to prepare information that is going to be incorporated into a report for a meeting with the board of JJB that you are both going to attend.

You have the following document available to you in hard copy:

- A summary of the 2011 capital raising, CVA and transfer to AIM
- An update of events since the 2011 capital raising, CVA and transfer to AIM
- The 2012 JJB Annual Report
- The background to and reasons for the 2012 strategic investment and details of the financing package
- Spreadsheets containing financial information regarding JJB and comparable companies
- Information on Dicks's Sporting Goods Inc

Requirements

- 1 Prepare a detailed financial analysis of JJB identifying trends and give your conclusions on the areas of weakness that the company should seek to address. (25 marks)
- 2 Summarise the capital raising of £30 million, arrangements with creditors and suppliers and give your supported conclusion on whether these actions are likely to ensure that the company is able to survive its current difficulties. (25 marks)
- 3 Discuss the advantages and disadvantages of the strategic alliance with Dicks Inc. You should include a SWOT analysis and a conclusion in your answer. (25 marks)
- 4 Identify and discuss alternative courses of action that JJB might adopt other than the 2012 capital raising and arrangements with creditors and suppliers (you should state the advantages and disadvantages of any alternatives that you identify). (10 marks)

PLEASE TURN OVER

- 5 Identify and comment upon any implications that the current capital raising and strategic partnership might have regarding the City Code on Takeovers and Mergers. (15 Marks)