

[This page is detachable, for ease of reference]

Sparkle – Unseen material provided on examination day

Additional (unseen) information relating to the case is given on pages 18 – 22.
Read all of the additional material before you answer the question.

ANSWER THIS QUESTION – 100 MARKS

You are the consultant appointed by the Board of Sparkle to assist the new interim Finance Director, Roger White.

Prepare a confidential internal report for the Sparkle Board that

- briefly discusses the take-over proposal from the perspective of the different stakeholder groups;
- recommends strategies which would enable Sparkle to deliver a sustainable improvement in financial performance and growth in its share price. Evaluate your proposed strategies to demonstrate how Sparkle's share price and return on capital employed could be improved. State clearly the assumptions you have made.

Note: Assume, for simplicity, tax is payable at 30%.
