Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

Each answer shows the steps, then the **result**.

2.1

(d) situation, (b) frameworks

(e) options

(a) decision, (c) risks and review

2.2

$232.2 - 120 = +£\mathbf{112.2}$k

yes: still positive, and the price is below the walk-away of £532.2k

2.3

name the option and its number, e.g. penetration, EV £11.6k

add a measure, an owner and a date, e.g. repeat purchase 45% by the festival, head baker

2.4

a number and a date, e.g. “If the pilot weekend’s sales are below £8k”

an action and owner, e.g. “…the founder withdraws the offer”

3.1

(a) $0.15 \times 2{,}000 = £\mathbf{300}$ a week

(b) A and B first (equal EV; A is lower risk, B only at the right price), then C, then D; D loses money and weakens the brand

(c) far, mostly in rules and distance, so exporting fresh-style buns is costly and risky; license the brand to a local bakery instead

(d) e.g. repeat purchase 45% by the festival (head baker); pilot sales below plan by week 4 → café offer withdrawn (founder)

3.2

framework tourism: the tools are described but not used to choose; there is no decision, so the report gives the board nothing to act on

rewrite: a clear choice, with the numbers that justify it, e.g. penetration EV £11.6k, and what Nimbus will not do, with a review date

3.3

7–8: at £500k the premium is £200k, so value created is only $232.2 - 200 = £32.2$k, a thin margin of safety (App); synergy estimates are often too high; a 15% shortfall would wipe out the gain (An); the parenting test: the founder has no spare hours, so the deal depends on the supervisor becoming manager (An); a staged pilot can test the synergies before committing (K); walking away keeps cash for penetration, which has the same EV with lower risk (Ev); recommendation with a condition, e.g. offer less, or buy only after a pilot weekend and with the manager trained first; walk away above about £450k (Ev). **4–6**: sound analysis with limited use of the data or a weak judgement. **1–3**: relevant points, mostly descriptive.

exercises.lol exercises.com.cn