



**FINANCIAL MANAGEMENT FOR MARKETERS**

**AUG 2022**

**MOCK EXAMS**

**Time:** 5:30 PM – 8:30 PM

**Date:** NOVEMBER 7<sup>th</sup>, 2022

Three hours duration

The Mock will be 3 hours in duration

The mock has **TWO** Parts.

**Task 1** is worth **40%** of the total marks available

**Task 2** is worth **60%** of the total marks available.

You are required to give your answers in the GSM answer booklet provided. Do not repeat the task in your answer, but show clearly the number of the task attempted on the appropriate pages of the answer book. Please start each task on a new page.

Rough work and notes **must** be written in the answer book or on supplementary sheets and **must** be clearly identified.



## CASE STUDY

As a marketing consultant, you are about to meet with the owners of Quest Pharmaceutical Company Limited, a medium-sized wholesale and retail pharmacy located in Accra to advise them on the proposal by J&J Pharmaceutical Company to acquire Quest Pharmaceutical Company as their distribution hub in West Africa.

J&J Pharmaceutical is a US-based company with a reputable global brand which was demonstrated during the COVID-19 pandemic as the only drug manufacturing company in the world to develop a single dosage for COVID-19. J&J is seeking to expand its pharmaceutical services into West Africa and has proposed to acquire Quest Pharmaceutical company and rebrand it in order to launch its operation instead of establishing a completely new branch in West Africa.

However, owners of Quest Pharmaceutical would like to remain independent and are hence against the acquisition proposed by J&J Pharmaceutical Company because they will lose their brand name. On the other hand, they have been struggling with customer loyalty, low sales, declining profit, and several wholesale suppliers will not supply them on credit anymore. Furthermore, the owners also know that they need to change some strategies such as creating a strong brand reputation, service and product delivery in order to keep the business running.

Quest pharmacy sells a range of popular over-the-counter drugs and prescription drugs. The range of other items is rather limited as the owners want this to be a "real" pharmacy and not another corner shop. In 2018, a branch of Ernest Chemist was opened close to Quest Pharmacy. The customers used to be loyal shoppers at Quest pharmacy, but since 2018, the number of repeat purchases has dropped. Recently one customer remarked that she preferred Ernest Chemist because they had better services and drugs at lower prices.

The owners of Quest Pharmacy accept that the stock levels and overall appearance and maintenance of the shop have been compromised over the past two years. They have not been able to fund regular purchases of drugs or refurbishment given the decline in performance and do not see a way out of their troubles. Part of the struggle is to get insights into the turnover and profitability of individual drugs. It seems other stores have more popular drugs, but they are not sure how to obtain such information and their spreadsheet tracking system seems insufficient.

The daily running of Quest pharmacy is handled without any direct involvement from the owners. They rely on five employees: a branch manager, one pharmacist and three sales personnel, who have all been with Quest pharmacy for the past 5 to 8 years. Recently, it



seems that motivation and interest has declined and for the past year no ideas on how to improve the pharmacy have been presented to the owners. Moreover, all employees have

a bonus opportunity, but the current performance of the pharmacy has not warranted any such payment since 2018.

Your finance team has managed to get the following financial input for your review.

	Quest Pharmacy Financials From 2018 to 2021			
	2018	2019	2020	2021
	GHS '000	GHS '000	GHS '000	GHS '000
Turnover or Sales Revenue	460	323	332	293
Cost of Sales	320	226	246	228.3
Gross Profit	140	97	86	64.7
Labour & Overheads Cost	58	61.1	65.3	69
Store Rent/Maintenance	36	36	36	36
Number of Employees	5	5	5	5



## SECTION A

### Answer all Questions in Section A, Using the Case Presented Above

The owners of Quest pharmacy have invited you to a meeting for discussion and to solicit your advice and ideas on what they should do differently to get the business back to being profitable:

**QUESTION ONE (1):** As a marketing consultant, you are required to advise Quest Pharmaceutical on their financial and marketing strategies to improve their business performance based on the case presented to you by pointing out facts in the case study to support your argument to the owners and also whether they should opt for the J&J pharmaceuticals proposal or remain independent giving at least two reasons why the owners of Quest Pharmaceutical should either accept or reject the acquisition proposal.  
**(17 Marks)**

**QUESTION TWO (2):** Cost Volume Profit Analysis (CVP) is a business strategy that looks at the impact on the operating profit, analysis of product and sales price, fixed costs, variable costs, the number of goods sold, and how it affects the overall profit margin of the business.

- I. Based on the above assessment, if Quest Pharmaceuticals had a total sales revenue of GHS293,000, total fixed cost of GHS130,000, and a total variable cost of GHS170,000 in 2019. Calculate the contribution margin and advice owners of Quest Pharmacy on how they can use contribution margin as a performance measurement tool to appraise its products and services. **( 8 marks)**
  
- II. Briefly explain margin of safety and its relevance to Quest Pharmacy if it has 5,000 sales units or 50% margin of safety and its implication on the sales of Quest Pharmacy.  
**(5 Marks)**

**QUESTION THREE (3):** You are required to advise Quest Pharmaceuticals on its working capital management and assuming Quest Pharmacy has a current asset of 78,091 and a current liability of 67,152. Calculate the current ratio and explain its implication on Quest Pharmaceutical's working capital management if the current ratio is below 1 or above 2.  
**(10 Marks)**

**TOTAL (40 Marks)**



## SECTION B

**Answer Three Questions Only in Section B. All Questions Carry Equal Marks**

**QUESTION ONE (1):** As a marketing manager of your company, you have been invited by the board of directors to do a presentation on budget and budgetary control to assist the board in developing a strategic business direction for the company. Demonstrate to the board the characteristics of a good budget with three benefits and two limitations of a budget.

**(20 Marks)**

**QUESTION TWO (2):** The analysis and interpretation of financial statements are very essential to measure the efficiency, profitability, financial soundness, and future prospect of a business setup. For example, by highlighting the financial position of the business to its stakeholders or those who are interested in the business. Using a company of your choice to illustrate this, state and explain two internal and three external users of Financial statements or information and how relevant it is to each section of the users.

**(20marks)**

**QUESTION THREE (3):** Risks to businesses come in many different ways, however, as marketing manager of your company, you have been requested to do a presentation to management explaining how financial and operational risks can affect the smooth running of your company's future and discuss these with at least two benefits of risk management.

**(20 Marks)**

**QUESTION FOUR (4):** The primary goal or purpose of financial strategy is to ensure adequate and regular supply of funds to fulfilling the present and future financial needs of the business enterprise. As a financial controller of your company, explain to management the sources of finance that are available to the business and illustrate with at least one example each, how inflation and taxation can affect the financial strategy of the company.

**(20 Marks)**

**QUESTION FIVE (5):** As the operations manager of your company, evaluate the balance scorecard as both a financial and non-financial measurement tool and analyze its



implication on your company's performance and finally demonstrate how to communicate new performance management changes in the company.

**(20 Marks)**

**GOOD LUCK**

