

Unit 03: Global Finance and Strategy

Unit Reference Number	D/615/3238
Unit Title	Global Finance and Strategy
Unit Level	7
Number of Credits	20
Assessor	
Date issued	
Hand in Date	
Unit Grading Structure	Pass
Assessment Guidance	To achieve this unit, learners must achieve the learning outcomes and meet the standards specified by all assessment criteria for the unit.

Learning Outcomes	Assessment Criteria
1. Understand the concept of globalisation	1.1 Analyse the concept of globalisation 1.2 Assess the link between the concept of globalisation and the investment process
2. Understand the impact of the global business environment on national and multinational business organisations	2.1 Identify factors affecting the global business environment 2.2 Assess the impact of identified factors on national and multinational business organisations
3. Be able to construct strategies that will result in the enhancement of organisational value	3.1 Identify the current value statement of a named business organisation 3.2 Explain how a named business organization achieved its values 3.3 Recommend strategies that would enhance the value of a named business organisation
4. Be able to evaluate the financial consequences of strategic decisions	4.1 Analyse the strategic decision of a named business organisation 4.2 Evaluate the financial consequences of a strategic decision made by a named business organisation
5. Understand appropriate sources of finance	5.1 Explain sources of finance available to business organisations 5.2 Assess the risk involved in a range of sources of finance 5.3 Critically review the costs involved in managing global risk
6. Be able to review techniques to manage global risk	6.1 Explain risk mitigation techniques 6.2 Analyse global risks 6.3 Review the suitability of techniques used by a named business organisation to manage their global risk
7. Be able to assess potential investment decisions and global strategies	7.1 Analyse the potential investment decisions and strategies available to a named business organisation 7.2 Assess the global environment decisions and strategies affecting a named business organization

Global Finance and Strategy

The case study below illustrates how Syngenta, a company created from the fusion of two agronomical divisions of two conglomerates, plans its investments with the help of analytical tools such as the Average Rate of Return (ARR) and the Payback Period.

Case study

Formed in 2000 by the merger of the agronomical divisions of Zeneca and Novartis, Syngenta is one of the world's leading suppliers of seeds and crop protection systems. A multinational company, Syngenta employs 26,000 people across 90 countries. In 2010, its sales exceeded \$11 billion. Syngenta's mission is 'bringing plant potential to life'. It uses the latest science and technology to develop products that help its customers improve crop productivity. Syngenta's products are used by farmers to protect crops against weeds, pests and fungal diseases. The company's herbicides, pesticides and fungicides are usually based on complex chemicals. To develop products that can improve farm output without damaging the natural environment requires intensive Research and Development (R&D). To protect its investment, Syngenta obtains patents for its new products.

In 2008, Syngenta was faced with a major investment decision. As the Amistar range of fungicides moved through its product life cycle, its maximum capacity was approached. Syngenta could not produce more Amistar without investing in its production facilities. A proposal was put forward to expand production through a £150 million investment at the Grangemouth site in Scotland. The company had to decide whether increasing production would be financially viable and a worthwhile investment.

Part A

The table below shows estimated cash flow for the Grangemouth expansion project.

Cash flows (£'s million)										
Year	0	1	2	3	4	5	6	7	8	9
Cash Inflow										
Sales		200	400	400	400	400	400	400	400	400
Total Inflow		200	400	400	400	400	400	400	400	400
Cash Outflow										
Investment	150									
Manufacturing Costs		80	160	160	160	160	160	160	160	160
Sales and Marketing		15	30	30	30	30	30	30	30	30
Other Costs		25	25							
Total Outflow	150	120	215	190	190	190	190	190	190	190
Net cash flow	-150	80	185	210	210	210	210	210	210	210

<http://businesscasestudies.co.uk/syngenta/investment-appraisal-in-action/projected-cash-flows.htm>

Required:

1. Assess the investment opportunity using payback period and accounting rate of return. Review the advantages and disadvantage of each method. **(LO 6)**
2. Assess the sources of finance, the Syngenta Company, could have used **and** evaluate the risks involved on the identified sources. **(LO 6)**
3. Explain techniques used to mitigate **and** manage the global risk involved. **(LO 6)**
4. Discuss the potential financial decisions that can be taken for the investments. **(LO 7)**
5. Review investment decisions **and** the strategies applied in the global environment. **(LO 4 and LO 7)**
6. Use strategic implementation techniques to comment on the decisions made. **(LO 3 and LO 7)**

Word Count – 4500 words

