

XP Actuarial Practice Exam - SDM

Practice Exam SAMPLE - 2023



1. (13 points)

Frenz has decided to investigate acquiring King Coffee, headquartered in Equabodia. The goal of the acquisition would be to expand Frenz's global reach.

Initial private discussions at an industry conference between Lotte Janssen, CEO of Frenz and Khan Ong, CEO and founder of King Coffee were positive. If an acquisition happens, Mr. Ong indicated he would stay on if given the freedom and capital to continue the company's expansion. He also wants the name to continue to be called King Coffee in Equabodia and, if the company expands its stores further, in Vietombia. In those conversations, Lotte Janssen has agreed in principle to Mr. Ong's desires.

Mr. Ong has said the acquisition price would be in the range of \$300 million.

Reasons for Acquisitions include:

- I. Increased Market Power
- II. Overcoming Entry Barriers
- III. Cost of New Product Development and Increased Speed to Market
- IV. Lower Risk Compared to Developing New Products
- V. Increased Diversification
- VI. Reshaping the Firm's Competitive Scope
- VII. Learning and Developing New Capabilities

(a)(7 points)

Assess each reason as to whether it applies materially to the acquisition of King Coffee. Justify your answers.

ANSWER:

(b)(3 points)

Identify 4 key risks to Frenz with the acquisition of King Coffee. Justify your answer as to why they are very important risks to Frenz.

ANSWER:

**** Question 1 continues on the next page ****

(c)(3 points)

For each of the four risks you identified in (b), describe a way to mitigate the risk.

ANSWER:

2. (7 points)

Big Ben Bank is considering launching a crypto-currency ETF as described in the case study. The CEO of BBB wants to understand how this particular ETF can grow sales and profits over time and understand its competitive environment.

(a) (4 points)

Construct a stock and flow diagram of the dynamics of the new product with at least the following components:

- Assets under management
- Perceived brand quality
- Sales
- Profits
- Potential Customers
- Regular Customers

ANSWER:

(b) (2 points)

Describe a key strategic action that BBB can take, that it has not already taken, that would improve the long-term profit result of the crypto-currency ETF. Enhance your diagram with this improvement.

ANSWER:

(c) (1 point)

Describe a useful vertical integration action that BBB could take to strengthen the risk management of this new product. Justify your answer.

ANSWER: