

ASSURANCE OF LEARNING EXERCISES

Assurance of Learning Exercise 8A



Developing a Product-Positioning Map for McDonald's

Purpose

Organizations continually monitor how their products and services are positioned relative to competitors. This information is especially useful for marketing managers but is also used by other managers and strategists.

Instructions

- Step 1** On a separate sheet of paper, develop a product-positioning map for McDonald's, Wendy's, Burger King, and Hardee's. Include in your diagram.
- Step 2** At the chalkboard, diagram your product-positioning map.
- Step 3** Compare your product-positioning map with those diagrammed by other students. Discuss any major differences.

Assurance of Learning Exercise 8B



Performing an EPS/EBIT Analysis for McDonald's

Purpose

An EPS/EBIT analysis is one of the most widely used techniques for determining the extent that debt and/or stock should be used to finance strategies to be implemented. This exercise can give you practice performing EPS/EBIT analysis.

Instructions (1-1-10 Data)

Let's say McDonald's needs to raise \$1 billion to expand into Africa. Determine whether McDonald's should have used all debt, all stock, or a 50-50 combination of debt and stock to finance this market-development strategy. Assume a 38 percent tax rate, 5 percent interest rate, McDonald's stock price of \$50 per share, and an annual dividend of \$0.30 per share of common stock. The EBIT range for 2010 is between \$6.332 billion and \$9 billion. A total of 1 billion shares of common stock are outstanding. Develop an EPS/EBIT chart to reflect your analysis.

Assurance of Learning Exercise 8C



Preparing Projected Financial Statements for McDonald's

Purpose

This exercise is designed to give you experience preparing projected financial statements. Pro forma analysis is a central strategy-implementation technique because it allows managers to anticipate and evaluate the expected results of various strategy-implementation approaches.

Instructions

- Step 1** Work with a classmate. Develop a 2008 projected income statement and balance sheet for McDonald's. Assume that McDonald's plans to raise \$900 million in 2010 to begin serving Africa and plans to obtain 50 percent financing from a bank and 50 percent financing from a stock issuance. Make other assumptions as needed, and state them clearly in written form.