

# ENGINEUITY TUTORIAL



## Investments



# Investments

**MAKING Financial decisions for period 5 in the Early Years**

Change period Key information Help

### ASSET BASE

	Before decisions	After decisions	
Cash account:	-72,961	-471,410	(The current overdraft limit for the cash account is 625,000)
Capital base:	4,134,990	4,424,439	
Investments:	719,762	719,762	
Company value:	4,781,791	4,672,791	

### DIVIDEND

Amount to pay shareholders:  (2% of Equity of 5,450,000)

### CAPITAL BASE

Increase by:  (limited to 289,449)

Reduce by:  (limited to 992,398)

### INVESTMENTS

Name	Description	Initial Value	Increase by	Reduce by	Required
Adapt TP	Training providers	101,700	0	0	101,700
Altax Wind Energy Centre	Wind farm	102,800	0	0	102,800
Asia Pacific Solutions	Management consultants	207,362	0	0	207,362
DAX International	Management consultants	101,900	0	0	101,900
Kruger Associates Plc	Management consultants	102,300	0	0	102,300
Morgan Stanley	Investment banking	103,700	0	0	103,700

## INVESTMENTS

The core business of the company is procuring and progressing contracts, and if done successfully the company will report a healthy operating profit, and increase the company's value. However, there are alternative ways of increasing the value of the company, such as by investing in other concerns, which may or may not be construction-related.

There are **two ways** of increasing the company's value through investments :-

- **Investment returns**; that change the value of the investments
- **Investment benefits**; that reduce costs on jobs in progress (build or risk costs)

We can examine the company's current 6 investments by using the **Display details** option.

We will first look at the investment in **Asia Pacific Solutions**.



# Investments

## Investment Details

### ASIA PACIFIC SOLUTIONS

Desc: Management consultants

Profile: For over 40 years, Australian based Asia Pacific Solutions have been saving their clients millions by providing risk mitigation solutions at all stages of the construction process, and they recently invested in a state of the art computer system to stay at the forefront of their field.

The company operate solely with contractors in the energy sector worldwide, although 75% of their turnover is within the Asia Pacific region, which they serve from their Gold Coast headquarters, along with around 20 regional offices.

## PERFORMANCE HISTORY

### PERIOD RETURNS

Period	% return to investors	Company investment		Information for investors
		Amount invested	Investment return	
1	3.0 %	0	0	Nothing to report
2	2.6 %	0	0	Nothing to report
3	2.7 %	100,000	2,700	Nothing to report
4	2.3 %	202,700	4,662	Nothing to report

### BENEFITS - REDUCTION IN JOB COSTS

	Build cost	Risk cost	% of total
Industrial	0	0	0 %
Building & Commercial	0	0	0 %
Transport	0	0	0 %
Energy	0	3,315	100 %
Water & Sewage	0	0	0 %
	0	3,315	

## INVESTMENT RETURNS

Cash returns vary each period depending upon the performance of an investment, and either increase or reduce the value of an investment.

Whether or not the investment has been a success, in terms of the cash return, and would be worth investing further in would depend upon looking deeper into the prevalent bank rates, both credit and overdraft rates (as defined in the **Industry parameters**) at the time the investments were made, as well as the balance of the cash account.

During periods 1 to 4 the returns from **Asia Pacific Solutions** were good, between 2.3 and 3.0% each period, and it is certainly worth considering further investment if the cash account will support it.



# Investments

## Investment Details

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## PERFORMANCE HISTORY

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Period	% return to investors	Company investment		Information for investors
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2	2.6 %	0	0	Nothing to report
3	2.7 %	100,000	2,700	Nothing to report
4	2.3 %	202,700	4,662	Nothing to report

### BENEFITS - REDUCTION IN JOB COSTS

	Build cost	Risk cost	% of total
Material	0	0	0 %
Build	0	0	0 %
	0	0	0 %
	0	3,315	100 %
	0	0	0 %
		3,315	

## INVESTMENT BENEFITS

As well as investing in other companies to yield a better return than can be obtained from the bank, there is **potentially an even more lucrative reason** for investing in other concerns.

If enough money is invested in particular concerns, **costs may be reduced** on work in progress in specific sectors :-

- **BUILD COST REDUCTIONS;** These are earned by investing in businesses that supply commodities that are used directly in the construction phase, such as materials and plant e.g., investing in an asphalt company would reduce build costs for any Transport work being undertaken.
- **RISK COST REDUCTIONS;** These are earned by investing in management consultants that offer risk management services to the construction industry.

**If the investment profile indicates potential benefits to jobs in progress, the benefits are only accrued if enough money is invested.**



# Investments

Industry parameters

FINANCE

OVERHEADS

PROCUREMENT

JOB PROGRESSION

CASH ACCOUNT

Credit rate: 1.8 % per annum

Overdraft rate: 6.2 % per annum

Overdraft limit: 625,000

CAPITAL BASE

Increase limited to: 7 % this period

Sold off limited to: 24 % this period

Depreciation rate: 2.5 % per annum

Capital writing down: 25 % per annum

INVESTMENTS

Restrictions

There cannot be more than: 6 investments at any point in time

For each investment the maximum increase in the investment is limited to: 100000 each period

Benefits for jobs in progress

A minimum amount of: 200000 needs to have been invested to obtain any benefits for jobs in progress

For investments that deliver cost reductions, once the minimum amount has been invested to obtain benefits, and depending on how much has been invested, the build cost reductions are between: 0.3 and 0.5 %

For investments that deliver management services, once the minimum amount has been invested to obtain benefits, and depending on how much has been investment, for risks that strike the risk cost reductions are between: 30 and 40 %

For investments that deliver job delay reductions are between: 25 and 30 %

Ceiling

The **Industry parameters** show that a **minimum amount of 200,000 needs to be invested** to obtain any benefits. This is the amount invested after the financial decisions have been made in the period.

As the **increase in an investment in a period is limited to 100,000**, it would take at least 2 periods to gain any cost reductions from an investment.

## KEY POINTS

If an investment is not performing well, with negative investment returns, and the value of the investment falls, it may take longer than 2 periods for the investment value to reach the minimum level to gain any benefits.



# Investments

**Industry parameters**

FINANCE

OVERHEADS

PROCUREMENT

JOB PROGRESSION

**CASH ACCOUNT**

Credit rate: 1.8 % per annum  
Overdraft rate: 6.2 % per annum  
Overdraft limit: 625,000

**CAPITAL BASE**

Increase limited to: 7 % this period  
Sold off limited to: 24 % this period  
Depreciation rate: 2.5 % per annum  
Capital writing down: 25 % per annum

**INVESTMENTS**

**Restrictions**

There cannot be more than: 6 investments at any point in time  
For each investment the maximum increase in the investment is limited to: 100000 each period

**Benefits for jobs in progress**

A minimum amount of: 200000 needs to have been invested to obtain any benefits for jobs in progress  
  
For investments that deliver build cost reductions, once the minimum amount has been invested to obtain benefits, and depending upon how much has been invested, the build cost reductions are between: 0.3 and 0.5 %  
  
For investments that provide risk management services, once the minimum amount has been invested to obtain benefits, and depending upon how much has been investment, for risks that strike the risk cost reductions are between: 30 and 40 %  
  
job delay reductions are between: 25 and 30 %

**Cease trading**

Once the minimum investment threshold has been met, the cost reductions for each applicable job in progress are :-

- Build cost reductions of between 0.3 and 0.5%
- Risk cost reductions of between 30 and 40% for each risk that strikes

**In the case of investing in risk management companies, as well as risk cost reductions, a further benefit is that if a risk strikes the potential job delay is also reduced, by between 25 and 30%.**

## KEY POINTS

There are 2 tiers of cost reductions, a lower and upper tier. You are not told the investment required to obtain the upper tier saving, and this knowledge can only be acquired as time progresses, but there is a linear increment between the two tiers as the investment increases.



# Investments

## Investment Details

### ASIA PACIFIC SOLUTIONS

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### PERIOD RETURNS

Period	% return to investors	Company investment		Information for investors
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### BENEFITS - REDUCTION IN JOB COSTS

	Build cost	Risk cost	% of total
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Transport	0	0	0 %
Energy	0	3 315	100 %
Water & Sewage	0	0	0 %
		3,315	

**During period 4 the investment in Asia Pacific Solutions was 202,700, just enough to obtain benefits, but were any benefits gained ?**

The benefits from investing in **Asia Pacific Solutions** are **reductions in risk costs in the energy sector**. This is clear from the phrase in the company's profile that states ".... The company operates solely with contractors in the energy sector worldwide ...."

**We can see that to date risk costs have been reduced on energy jobs by 3,315 with potentially a lot more to follow in the future.**

### KEY POINTS

- If enough money is invested, benefits can be accrued even if the investment is performing badly. However, **poorly performing investments can cease trading**. This will be discussed further in due course.
- The **benefits are cumulative** e.g., a job can receive cost reductions from more than one investment each period.



# Investments

**MAKING Financial decisions for period 5 in the Early Years**

Change period Key information Help

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**DIVIDEND**

Amount to pay shareholders:  (2% of Equity of 5,450,000)

---

**CAPITAL BASE**

Increase by:  (limited to 289,449)

Reduce by:  (limited to 992,398)

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**INVESTMENTS**

Name	Description	Initial Value	Increase by	Reduce by	Required
Adapt TP	Training providers	101,700	0	0	101,700
Altax Wind Energy Centre	Wind farm	102,800	0	0	102,800
Asia Pacific Solutions	Management consultants	207,362	0	0	207,362
DAX International	Management consultants	101,900	0	0	101,900
Kruger Asset Management Plc	Management consultants	102,300	0	0	102,300
Morgan Fritz	Investment banking	103,700	0	0	103,700

**The company's long-term strategy is to target jobs in the building and commercial, transport and energy sectors.**

Bearing this in mind on close investigation of all the current investments the following decisions are made :-

1. Adapt TP provide build cost reduction for transport jobs, so **this investment will be increased by 100,000** (the maximum allowed in one period) to obtain even more benefits, in this case build cost reductions for transport jobs.
2. To increase the **investment in Asia Pacific Solutions by a further 100,000** to obtain even more benefits, in this case risk cost reductions for energy jobs.
3. To **reduce the investments in the Atlas Wind Energy Centre, DAX International, Kruger Asset Management Plc and Morgan Fritz to 0**, and remove them completely, as none of them on close examination provide any benefits to us as a contractor in the construction industry. We will be looking for other investments to take their place.





# Investments

Change period Key information Help

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### DIVIDEND

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Reduce by:  (limited to 992,398)

### INVESTMENTS

Name	Description	Initial Value	Increase by	Reduce by	Required
Adapt TP	Training providers	101,700	100000	0	201,700
Altax Wind Energy Centre	Wind farm	102,800	0	102800	0
Asia Pacific Solutions	Management consultants	207,362	100000	0	307,362
DAX International	Management consultants	101,900	0	101900	0
Kruger Asset Management Plc	Management consultants	102,300	0	102300	0
Morgan Fritz	Investment banking	103,700	0	103700	0

Investments can be removed quickly using the **Remove investment for ...** option, which has the following affect :-

- For **existing investments**, where the “Initial value” is > 0, the “Reduced by” level is set to the “Initial Value” to set the “Required” level to 0 to show that the investment has been removed, but it will not disappear from the investment list until the following period.
- For **new investments**, where the “Initial value” is 0, the investment will be immediately removed from the investment list.



# Investments

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[Key information](#)
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### ASSET BASE

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Reduce by:  (limited to 992,398)

### INVESTMENTS

Add investment

Name	Description	Initial Value	Increase by	Reduce by	Required
Adapt TP	Training providers	101,700	100000	0	201,700
Altax Wind Energy Centre	Wind farm	102,800	0	102800	0
Asia Pacific Solutions	Management consultants	207,362	100000	0	307,362
DAX International	Management consultants	101,900	0	101900	0
Kruger Asset Management Plc	Management consultants	102,300	0	102300	0
Morgan Fritz	Investment banking	103,700	0	103700	0

[Display details for Adapt TP](#)  
[Remove investment for Adapt TP](#)

Any increase in investment comes out of the cash account, and any reduction in investment goes into the cash account.

However, since money is being moved between assets, the value of the company is unchanged.



# Investments

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Change period Key information Help

**ASSET BASE**

**Before decisions**

Cash account: -72,961  
Capital base: 4,134,990  
Investments: 719,762  
Company value: 4,781,791

**DIVIDEND**

Amount to pay shareholders:

**CAPITAL BASE**

Increase by: 289449 (limited by...)  
Reduce by: 0 (limited by...)

**INVESTMENTS** Add investment

Name	Description	Initial Value	Increase by	Reduce by	Required
Adapt TP	Training providers	101,700	100000	0	201,700
Altax Wind Energy Centre	Wind farm	102,800	0	102800	0
Asia Pacific Solutions	Management consultants	207,362	100000	0	307,362
DAX International	Management consultants	101,900	0	101900	0
Kruger Asset Management Plc	Management consultants	102,300	0	102300	0
Morgan Fritz	Investment banking	103,700	0	103700	0

Display details for Adapt TP  
Remove investment for Adapt TP

The company now has 2 current investments.

The **Industry parameters** show that there can be no more than 6 investments, so it is possible to invest in 4 further concerns.

The **Add investment** option can be used to review a selection of other companies that can be invested in.

## INVESTMENTS

### Restrictions

There cannot be more than: **6** investments at any point in time

For each investment the maximum increase in the investment is limited to: **100000** each period



# Investments

Investment Opportunities

Display investments where the profile contains the phrase:

[All]

Name	Description	Status
Adapt TP	Training providers	Already investing in
Altax Wind Energy Centre	Wind farm	Already investing in
Asia Pacific Solutions	Management consultants	Already investing in
DAX International	Management consultants	Already investing in
Dynasty Consulting	Management consultants	Available
Enerstrom Nuclear Services Group	Nuclear energy services	Available
Florida Fitness	Leisure providers	Available
GG Global Fashion	Fashion retailer	Available
Kilkhampston Brick Supplies	Suppliers	Available
Kruger Asset Management Plc	Management consultants	Already investing in
Morgan Fritz	Investment banking	Already investing in
National Aggregate Plc	Suppliers	Available
Perth Homes Plc	Specialist housebuilders	Available
Raon Corporation	Management consultants	Available
Retail Remedies	Management consultants	Available
RGH Excavators Plc	Suppliers	Available
Sungsam	Electronics	Available

ADAPT TP

Conveniently situated just off the M25 near Dartford, Adapt TP is a family run company established over 10 years ago offering a high standard of construction plant training in a friendly but professional atmosphere for the transport sector both in the UK and internationally.

Adapt TP utilise a multi million pound state of the art training facility, and are able to improve the productivity of the workforce with the objective to reduce build costs.

The training team consist of many backgrounds and are highly knowledgeable and have first hand experience.

PERIOD RETURNS

Period	% return to investors	Company investment		Information for investors
		Amount invested	Investment return	
1	2.0 %	0	0	Nothing to report
2	1.6 %	0	0	Nothing to report
3	1.7 %	0	0	Nothing to report
4	1.7 %	100,000	1,700	Nothing to report

For each available concern, the following information is given :-

- The **profile** describes the concern, and gives clues as to whether or not benefits may be accrued by investing in the business.
- The **period returns** gives the % return given in previous periods to all investors, and details any monies the company may have invested.
- The **information for investors** is news about the company that can highlight any issues that investors need to be aware of, such as if the company is having problems, and may cease trading.

Taking into account the current cash account balance, bank rates, potential returns and benefits from the concerns, a decision would now be made about whether or not its worth investing any cash in any of the available opportunities.



# Investments

## Investment Opportunities

Display investments where the profile contains the phrase:

[All] ▼

Name	Description	Status
Adapt TP	Training providers	Already investing in
Altax Wind Energy Centre	Wind farm	Already investing in
Asia Pacific Solutions	Management consultants	Already investing in
DAX International	Management consultants	Already investing in
Dynasty Consulting	Management consultants	Available
Enerstrom Nuclear Services Group	Nuclear energy services	Available
Florida Fitness	Leisure providers	Available
GG Global Fashion	Fashion retailer	Available
Kilkhampston Brick Supplies	Suppliers	Available
Kruger Asset Management Plc	Management consultants	Already investing in
Morgan Fritz	Investment banking	Already investing in
National Aggregate Plc	Suppliers	Available
Perth Homes Plc	Specialist housebuilders	Available
Raon Corporation	Management consultants	Available
Retail Remedies	Management consultants	Available
<b>RGH Excavators Plc</b>	Suppliers	Available
Sungsam	Electronics	Available

Select

### RGH EXCAVATORS PLC

Ron Gordon Howard launched the construction equipment manufacturing and supply company that bears his initials, in 1952. He began his business in a brick outbuilding measuring only 15 feet by 13 feet.

Today, UK-based RGH Excavators Plc has one of the largest factories in the world, employing thousands of workers, and supplying its unique range of excavators and related products to contractors working in all sectors of the global construction industry.

### PERIOD RETURNS

Period	% return to investors	Company investment		Information for investors
		Amount invested	Investment return	
1	1.5 %	0	0	Nothing to report
2	1.0 %	0	0	Nothing to report
3	1.8 %	0	0	Nothing to report
4	1.5 %	0	0	Nothing to report

After a detailed examination of the investments that the company is not already investing, with a status of 'available', the decision is made to invest in **RGH Excavators Plc**, whose profile indicates that they supply excavators to contractors working in all sectors of the construction industry; an excellent choice to improve job and company profitability.

### KEY POINTS

The list of available investments is not static, and can increase as time goes by, so the Financial Manager must be looking each period at potential new investments that are in line with the company's growth strategy.



# Investments

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Reduce by:  (limited to 992,398)

### INVESTMENTS

Name	Description	Initial Value	Increase by	Reduce by	Required
Adapt TP	ing providers	101,700	100000	0	201,700
Altax Wind Energy Centre	rm	102,800	0	102800	0
Asia Pacific Solutions	ment consultants	207,362	100000	0	307,362
DAX International	ment consultants	101,900	0	101900	0
Kruger Asset Management Plc	ment consultants	102,300	0	102300	0
Morgan Fritz	anking	103,700	0	103700	0
RGH Excavators Plc		0	100000	0	100,000

The company now has 3 current investments, and there is scope for more as the Cash Account balance is still well short of the 625,000 overdraft limit.

The **Add investment** option is used again to search for another suitable investment that ties in with the company's long term strategy to target jobs in the building and commercial, transport and energy sectors.



# Investments

Investment Opportunities

Display investments where the profile contains the phrase:

[All]

Name	Description	Status
Adapt TP	Training providers	Already investing in
Altax Wind Energy Centre	Wind farm	Already investing in
Asia Pacific Solutions	Management consultants	Already investing in
DAX International	Management consultants	Already investing in
Dynasty Consulting	Management consultants	Available
Enerstrom Nuclear Services Group	Nuclear energy services	Available
Florida Fitness	Leisure providers	Available
GG Global Fashion	Fashion retailer	Available
Kilkhampston Brick Supplies	Suppliers	Available
Kruger Asset Management Plc	Management consultants	Already investing in
Morgan Fritz	Investment banking	Already investing in
National Aggregate Plc	Suppliers	Available
Perth Homes Plc	Specialist housebuilders	Available
Raon Corporation	Management consultants	Available
Retail Remedies	Management consultants	Available
RGH Excavators Plc	Suppliers	Already investing in
Sungsam	Electronics	Available

Select

**KILKHAMPTON BRICK SUPPLIES**

Based on the outskirts of Kilkhampston in Cornwall, UK based Kilkhampston Brick Supplies own several of the most recognised premium brands, and supply primarily to construction contractors working in the building and commercial sector worldwide.

Established over 50 years ago, the Company has achieved significant acquisition and organic growth into a profitable and asset rich business, producing over 100 million clay units annually, and then investing in new state of the art brick kilns to come.

**PERIOD RETURNS**

Period	% return to investors	Company investment		Information for investors
		Amount invested	Investment return	
1	-0.6 %	0	0	Nothing to report
2	-0.4 %	0	0	Nothing to report
3	-0.3 %	0	0	Nothing to report
4	0.4 %	0	0	Nothing to report

After a further detailed examination of the investments that the company is not already investing, the decision is made to invest in **Kilkhampston Brick Supplies**, whose profile indicates that they supply bricks to contractors working in the Building and Commercial sector worldwide, the largest potential sector of work the company is targeting; an excellent choice to improve job and company profitability.

## KEY POINTS

Even though the investment return is negative, this will dwarf into comparison with the potential saving from the reduction in build costs across all jobs progressed in the Building and Commercial sector.



# Investments

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Add investment

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Altax Wind Energy Centre	Wind farm	102,800	0	102800	0
Asia Pacific Solutions	Management consultants	207,362	100000	0	307,362
DAX International	Management consultants	101,900	0	101900	0
Kilkhampton Brick Supplies	Suppliers	0	100000	0	100,000
Kruger Asset Management Plc	Management consultants	102,300	0	102300	0
Morgan Fritz	Investment banking	103,700	0	103700	0
RGH Excavators Plc	Suppliers	0	100000	0	100,000

Finding an investment opportunity that offers good returns and benefits is not always possible, and often **key decisions have to be made balancing risk and reward**.

For example, an investment opportunity may arise that offers build cost savings in all sectors of the Construction Industry, but the investment returns may not be very good.

In this scenario, the **net gain from the build cost reductions would almost certainly outweigh the negative investment returns**, and it would be still be the most effective option to continue with the investment.

However, the Financial Manager must also bear in mind that the investment may run into difficulty, and **cease trading**, a decision that could impact on the profitability of the company as a proportion of the investment could be lost.





# Investments

Investment Details

NATIONAL AGGREGATE PLC

Desc: **Suppliers**

Profile: Based in Swindon, but operating from locations all over the UK, National Aggregate Plc offer a diverse range of products and services, including aggregates, asphalt, concrete, mortars, bricks, specialist plasters, bagged aggregates, silica sands and an extensive range of industrial minerals and materials, which they supply to contractors working in the industrial, building & commercial and transport sectors of the construction industry, in both the UK and worldwide.

The company recently underwent a management shake up to try and reverse the fortunes from a number of their loss making quarries.

PERFORMANCE HISTORY

PERIOD RETURNS

Period	% return to investors	Company investment		Information for investors
		Amount invested	Investment return	
1	-1.3 %	0	0	Nothing to report
2	-1.5 %	0	0	Nothing to report
3	-1.6 %	0	0	Nothing to report
4	-2.0 %	0	0	Nothing to report
5	-1.2 %	100,000	-1,200	Nothing to report
6	-1.6 %	198,800	-3,181	Nothing to report
7	-1.4 %	295,619	-4,139	Directors call emergency board meeting
8	-1.7 %	291,480	-4,955	Threat of administration next period

BENEFITS - REDUCTION IN JOB COSTS

	Build cost	Risk cost	% of total
Industrial	12,263	0	18 %
Building & Commercial	32,145	0	47 %
Transport	23,617	0	35 %
Energy	0	0	0 %
Water & Sewage	0	0	0 %
	68,025	0	

## INVESTMENTS THAT CEASE TRADING

### How do we know if one of our investments may cease trading ?

The clues lie in the **information for investors**, which should be carefully monitored each period for signs that the company may be in trouble.



Consider the example of **National Aggregate PLC**. The directors called an emergency board meeting in period 7, and in period 8 it became obvious that there was a threat of administration in period 9.

Faced with this information, **at the beginning of period 9** the Financial Manager must decide whether to remove all the investment in National Aggregate PLC, or continue investing in the hope that the company does not go bust.

**We will now look at what happens if the investment concern does go bust.**



# Investments

 **Industry parameters** 

FINANCE

OVERHEADS

PROCUREMENT

JOB PROGRESSION

**CASH ACCOUNT**

Credit rate: 1.8 % per annum

Overdraft rate: 6.2 % per annum

Overdraft limit: 625,000

**CAPITAL BASE**

Increase limited to: 7 % this period

Sold off limited to: 24 % this period

Depreciation rate: 2.5 % per annum

Capital writing down: 25 % per annum

**INVESTMENTS**

**Restrictions**

There cannot be more than: 6 investments at any point in time

For each investment the maximum increase in the investment is limited to: 100000 each period

**Benefits for jobs in progress**

A minimum amount of: 200000 needs to have been invested to obtain any benefits for jobs in progress

For investments that deliver build cost reductions, once the minimum amount has been invested to obtain benefits, and depending upon how much has been invested, the build cost reductions are between: 0.3 and 0.5 %

For investments that provide risk management services, once the minimum amount has been invested to obtain benefits, and depending upon how much has been investment, for risks that strike the risk cost reductions are between: 30 and 40 %

job delay reductions are between: 25 and 30 %

**Cease trading**

If an investment company ceases trading, the amount invested recovered is between: 25 and 85 %

If an investment concern ceases trading , a % of the current investment is recovered, as defined in the **Industry information**.

The **actual amount recovered** depends upon how badly the investment concern is performing, with the minimum % recovered from those performing the worst.

## KEY POINTS

The money recovered when an investment ceases trading is paid into the cash account. The net value of the company will fall by the amount lost.