

**SLOAN SCHOOL OF MANAGEMENT
MASSACHUSETTS INSTITUTE OF TECHNOLOGY**

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15.414

Financial Management
Summer 2003

Assignment 7 – Due Tuesday, Aug. 18

Read ‘Massey-Ferguson, 1980’ and answer the following questions.

1. Describe and evaluate Massey-Ferguson’s product market strategy prior to 1976. Where possible, compare Massey’s strategy to those of its leading competitors. Did Massey’s strategy make sense at the time?
2. Briefly describe Massey’s capital structure in 1976. In your view, was this a good capital structure for Massey? Why? How did Massey’s financing strategy compare with its leading competitors?
3. What went wrong after 1976? How did Massey respond? How did its competitors respond? What were the consequences for Massey?
4. Why do you think Massey has trouble raising new equity financing in 1980?
5. What options does Massey-Ferguson have for reducing its financial problems? How do the options affect shareholders, creditors, governments, and management? Do you think that the firm can restructure its finances?

Guidelines

- You may work on the case in groups of 3 or 4 students. Please hand-in one write-up per group. All members of the group should be prepared to discuss the case in class.
- State clearly any assumptions you make and provide enough information so that a reader can follow your analysis. I would expect the case write-up to be a few pages.
- The case is included in the course reading packet.