

Biovail corporation case study sample

[Business](#), [Company](#)



Question #1

How many truckloads of product are actually required to carry \$10 Million of product? Show your calculations

In the research findings at Bank of America Securities, the case study indicates that if there had been \$20 million worth of Wellbutrin® XL pills on the truck; it would have been full, or nearly full (Chapman, 2009). The research further indicates that the trooper estimated that the truck was about one-quarter full during the accident, which was equivalent to 8 pallets of the product. Therefore:

If the full truck = \$20 million, and

8 pallets = one-quarter of the truck = 11, 600 pounds, therefore,

$1/4 \times \$20 \text{ million} = 8 \text{ pallets} = 11, 600 \text{ pounds}$

$\$5 \text{ million} = 8 \text{ pallets} = 11, 600 \text{ pounds}$

$\$10 \text{ million} = ?$

$\$10 \text{ million} \div \$5 \text{ million} \times 8 \text{ pallets}$ and $\$10 \text{ million} \div \$5 \text{ million} \times 11, 600$
pounds

= 16 pallets, which is equal to 23, 200 pounds

Question #2

How should the company recognize revenue based upon the possible FOB contract structures mentioned in the case? Why?

The contract mentioned in the case provided that title to, and risk of loss with respect to, the product would not have passed to the distributor until the product was delivered to the distributor's facility, which is the FOB destination (Chapman, 2009). This contract structures ensures that every

party in the distribution channel plays his its part. The company has to ensure that the goods are safely delivered to the distributor's facility before they can detach themselves from the distribution channel. Therefore, in my opinion, in recognizing the revenue based on the possible FOB contract in the case, I believe that the company should ensure that the costs of transporting the goods to the distributor's destination remain at the minimum.

Question #3

How does the accident affect the stated revenues under the different FOB contract structures? Explain your reasoning

The product that was being transported to the distributor's destination, which is Wellbutrin® XL pills, was the major product produced by the Biovail Corporation (Biovail Corp). The truck accident that the company estimated would reduce the expected price per share of its stock. The estimated fall in the revenue would imply that the company would lose sales from this product since even though they were still fit for sale; they had to be re-inspected in order to ensure that they were still deliverable. The time these products would take for the re-inspection would imply that the revenue expected from the product would not be received, thereby resulting in the aforementioned revenue reductions.

Question #4

Are you concerned about the company's treatment of analysts who cover the stock? Would you want to be an analyst covering this company?

Yes. I am concerned about the treatment of these analysts, but I would not

want to cover this company as analyst. In analyzing the stock of any company, there should be transparent information on the company's stock. This enhances accuracy in conducting the analysis. However, in this company, for instance, after the accident occurred, the company extrapolated figures that showed that they were transporting a large cargo in order to deceive the analysts. Nevertheless, information from second parties proved that the information that the company provided was inconsistent with the reality. I would not cover this company as an analyst because seeking information from third parties would not be a reliable source, but the company is neither a reliable source of its stock information.

References:

Chapman C., (April 7, 2009). Biovail Corporations: Revenue Recognition and FOB Sales Accounting. Brief Cases. Harvard Business Publishing.

Biovail Company website www.biovail.com