PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

SEPTEMBER – DECEMBER 2021

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE: CFN 303

COURSE TITLE: FINANCIAL STATEMENT ANALYSIS

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **Six (6)** questions.
- Answer question **ONE** and ANY other **three** Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One (Compulsory) **(10 marks)**

From the following data relating to Ms B for the year 2004 to 2007, calculate trend percentages (taking 2004 as base year). Give an interpretation of your percentages

	2004	**2005**	**2006**	**2007**
Net sales	200,000	190,000	249,000	260,000
Less : Cost of goods sold	120,000	117,800	139,200	145,600
Gross profit	80,000	72,000	100,800	114,400
Less : Expenses	20,000	19,400	22,000	24,000
Net profit	**60,000**	**52,800**	**78,800**	**90,400**

Question Two **(10 Marks)**

Write a memorandum for circulation to all the junior members of the credit control department that highlights FIVE key indicators of customer solvency problems, which can be identified from published financial statements. (10 marks)

Question Three **(10 Marks)**

a. State the importance of financial statements. (2 marks)
b. Discuss **four** primary end year financial statements. Use suitable illustrations to explain your answers. (8 marks)

Question Four **(10 Marks)**

a. Discuss the following using suitable examples:
i. Financial Analysis (2 marks)
ii. Risk analysis (2 marks)
iii. Profitability analysis (2 marks)
b. Explain the following statement; “comparison must be meaningful and fair when using comparative analysis.” (4marks)

Question Five **(10 marks)**

a. With suitable examples, explain **two** uses of common size statements. (4 marks)

b. From the information given below, prepare a comparative income statement of profit and loss (3marks)

Particulars	**31st March 2018**	**31st March 2019**
Revenue from operations	3,000,000	4,000,000
Sales return	100,000	200,000
Cost of revenue from Operations	60% of Revenue from Operations	50% of Revenue from Operations
Administrative Expenses	20% on Gross profit	10% on Gross profit
Income tax	40%	40%

c. Give an interpretation of your calculations in part (b) above. (3 marks)

Question Six **(10 marks)**

a. Differentiate with examples financial distress and corporate failure. (4 Marks)
b. Explain **three** types of corporate failures giving examples. (6 Marks)