PAN AFRICA CHRISTIAN
PAC
UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

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)

a) Rafiki Hardware Tools Company Limited sells plumbing fixtures. Its financial statements for the last three years are as follows:-

Items	**2020** **Shs.**	**2021** **Shs.**	**2022** **Shs.**
Cash	800,000	800,000	800,000
Accounts receivable	30,000	20,000	5,000
Inventory	200,000	260,000	290,000
Fixed assets	400,000	480,00	600,00
Total assets	**1,430,000**	**1,560,000**	**1,695,000**
Accounts payables	230,000	300,000	380,000
Accruals	200,000	210,000	225,000
Short term bank loan	100,000	100,000	140,000
Long term debt	300,000	300,000	300,000
Common stock	100,000	100,000	100,000
Retained earnings	500,000	550,000	550,000
Total	**1,430,000**	**1,560,000**	**1,695,000**
Addition information			
Sales	4,000,000	4,300,000	3,800,000
Cost of goods sold	3,200,000	3,600,000	3,300,000
Net profit	300,000	200,000	100,000

Required:-

For each of the three years, calculate the following ratios.

i) Quick ratio (3 Marks)

ii) Current ratio (3 Mark)

iii) Stock turnover ratio (2 Marks)

iv) Net profit margin (2 Marks)

QUESTION TWO

a) You have just been appointed as the finance director at a newly established commercial bank. You reckon that the firm's financial plans must be anchored on a good forecasting system. Discuss features you would incorporate in designing your forecasting system.

(5 Marks)

b) Describe three analytical techniques used in financial statement (5 Marks)

QUESTION THREE

a) Discuss five limitations of financial statement (5 Marks)

b) Explain the following statement; “comparison must be meaningful and fair when using comparative analysis.” (5 Marks)

QUESTION FOUR

a) The balance sheet of ladies choice ltd and J lady ltd are given below

	Ladies choice	J. Lady
Profit share capital	120,000	150,000
Equity share capital	140,000	410,000
Reserve and surplus	24,000	28,000
Long term loan	110,000	120,000
Bill payable	7,000	1,000
Sundry creditors	12,000	3,000
Outstanding expenses	15,000	6,000
Proposed dividend	10,000	90,000
Land and building	80,000	123,000
Plant and machinery	334,000	600,000
Temporary investment	5,000	40,000
Investment	6,000	20,000
Sundry debtors	4,000	13,000
Prepaid expenses	1,000	2,000

Cash and bank balances	8,000	10,000

Required

Using common size balance sheet Compare the financial position of two companies (10 Marks)

QUESTION FIVE

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 SIX

a) You have been appointed the manager at Bamboo Ltd in charge of revenue and cost forecasting. For the past financial year the income stamen of bamboo Ltd show the following:-

	Shs.	
Sales (3,000 units)		30,000
Direct material	9,000	
Direct Labour	6,000	
Variable production overhead	3,000	
Fixed overhead	(8,000)	(26,000)
Profit		4,000

Additional information

Only one product is produced and no changes in stock took place. For the coming year the following changes are expected: -

i) The unit selling prince is to Increase to sh. 10.30

ii) The sales volume should increase by 5%.

iii) Unit material cost will go up by 6%.

iv) Labour rates are expected to be 4% higher.

v) Fixed costs to increase to sh. 9,200

Required:-

A revised profit figure. (10 Marks)