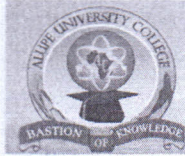


BBM 314



ALUPE UNIVERSITY
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... Bastion of Knowledge ...

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**OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, STUDENT AFFAIRS AND RESEARCH**

UNIVERSITY EXAMINATIONS

2020/2021 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER MAIN/REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT**

COURSE CODE:

BBM 314

COURSE TITLE:

FINANCIAL STATEMENT ANALYSIS

DATE: 21ST JULY, 2021

TIME: 1 P.M TO 4 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

BBM 314

REGULAR/ MAIN

COURSE CODE: BBM 314 COURSE TITLE: FINANCIAL STATEMENT
ANALYSIS

STREAM: BBM

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE

- (a) Using a diagram, describe the following terms as used in trend analysis;
 - (i) Uptrend (3 marks)
 - (ii) Sideways trend (3 marks)
- (b) Explain why is financial statement analysis output is handy to the top management of most organizations? (8 marks)
- (c) Invalidate the fact that financial statement information is important. (6 marks)
- (d) The following information relates to Tas limited; The statement of financial position for the years 2018 and 2019 were as follows;

(e)

	<u>31/12/2019</u>	<u>31/12/2018</u>
	<u>Amount \$</u>	<u>Amount \$</u>
Account receivables	34130	28410
Prepaid rent	20000	25000
Prepaid insurance	6800	6000
Inventory	23030	15450
Account payables	14590	31300
Salaries payable	8310	5120
Interest payable	700	360
Income tax payable	2340	0

Income statement information;

	<u>31/12/2019</u>
	<u>Amount \$</u>
Sales	38,750
Cost of sales	14,200
Salaries expenses	7540
Rent expense	5000
Insurance expense	4200
Interest expense	1890

Required; Compute the cash flows from operating activities using direct method
(10 Marks)

QUESTION TWO

DuPont Analysis is an extended examination of Return on Equity (ROE) of a company. In line with this, advise your company as a financial manager on the following;

- (i) Benefits accruing to the company as a result of ROE analysis (10 marks)
- (ii) How to increase the company's ROE (10 marks)

QUESTION THREE

- (a) Contrast fund flow statement and cashflow statement (10 marks)
- (b) From the following information prepare a schedule of changes in working capital (10 marks)

MISI Limited statement of financial position

Liabilities	as on 31 st March		Assets	as on 31 st March	
	2006	2007		2006	2007
Capital	18,50,000	21,00,000	Goodwill (at	6,00,000	6,00,000
Profit/Loss	14,78,000	17,64,000	Cost)	18,50,000	22,00,000
Appropriation	12,00,000	9,00,000	Land and	4,74,000	5,24,000
Bank Loan	4,00,000	6,80,000	Buildings	1,94,000	1,94,000
Bills Payable	14,00,000	12,20,000	Plant and	8,26,000	7,24,000
Sundry	2,00,000	1,80,000	Machinery	12,00,000	12,80,000
Creditors			Furniture and	8,00,000	7,21,000
Reserve for			Fittings	5,00,000	4,83,000
Taxation			Stock/Inventories	84,000	1,18,000
			Sundry Debtors		
			Bills Receivable		
			Bank		
			Cash		
TOTAL	65,28,000	68,44,000	TOTAL	65,28,000	68,44,000

QUESTION FOUR

The following are the balance sheets of Tamil Bank for the years 2003 and 2004 as on 31st March. Prepare a comparative statement of financial position for the business concern. (20 marks)

As on 31st March

(\$ in thousands)

Liabilities	2003 \$	2004 \$	Assets	2003 \$	2004 \$
Capital Reserve and Surplus	2,845	2,845	Cash and Balance with RBI	27,06,808	22,37,601
Deposits	4,08,45,783	4,40,42,730	Balance with Banks and Money at call & and short notice	11,36,781	16,07,975
Borrowings			Investments	2,14,21,060	2,35,37,098
Other Liabilities	7,27,671	2,84,690	Advances	1,95,99,764	2,11,29,869
Provisions	16,74,165	17,99,197	Fixed Assets	4,93,996	5,36,442
			Other Assets	18,58,064	18,35,883
	4,72,16,473	5,08,94,868		4,72,16,473	5,08,94,868

QUESTION FIVE

- (a) Financial ratio is used as an index for evaluating the financial performance of the business concern. However, ratio analysis has certain limitations. Justify. (10 marks)
- (b) The following balance sheet of Arvind Industries Limited as at 31st March 2017.

Liabilities	\$	Assets	\$
Equity Share Capital	10,000	Fixed assets (less depreciation \$10,000)	26,000
7% Preference Share Capital	2,000	Current Assets:	
Reserves and Surplus	8,000	Cash	1,000
6% Mortgage Debentures	14,000	Investments (10%)	3,000
Current Liabilities:		Sundry debtors	4,000
Creditors	1,200	Stock	6,000
Bills payable	2,000		
Outstanding expenses	200		
Tax Provision	2,600		
	40,000		40,000

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Additional Information;

		\$
i.	Net sales	60,000
ii.	Cost of goods sold	51600
iii.	Net income before tax	4000
iv.	Net income after tax	2000

Required; Compute the following financial ratios

- (a) Current ratio (2 marks)
- (b) Liquid ratio (2 marks)
- (c) Debt equity ratio (2 marks)
- (d) Stock turnover ratio (2 marks)
- (e) Proprietary ratio (2 marks)