

UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS

FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT

DEPARTMENT OF MANAGEMENT AND MARKETING SCIENCE

COURSE: FINANCIAL ANALYSIS
CODE: PSM 2202.

FINAL ASSESSMENT

Time allowed: 3Hours (9:30AM – 12:30PM)

DATE: Friday 16th December, 2022

Instructions to candidates:

Read the following before answering the questions

- 1) Show all workings.
 - 2) Answer **ANY FOUR** Questions
 - 3) **Plagiarism in all forms is unacceptable**
 - 4) **Write Neatly**
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Question One

The following information was extracted from the books of Torre Ltd as at 31 December 2012

	£
Purchases	275,000
Revenue	616,000
Directors Remuneration	63,800
Wages and salaries	88,000
Equipment at cost	308,000
Accumulated depreciation on Equipment at 01/01/2012	44,000
Fixtures at Cost	88,000
Accumulated depreciation on Fixtures at 01/01/2012	22,000
Vehicles at cost	176,000
Accumulated depreciation on Motor vehicles at 01/01/2012	66,000
General expenses	13,200
Printing, stationary and advertisement	15,400
Rent, rates and insurance	24,200
Inventories at 01/01/2012	55,000
Cash and cash equivalents (Dr)	13,200
Trade receivables	57,200
Trade payables	30,800
Share premium account	79,200
Ordinary shares of 25p	176,000
Retained earnings at 01/01/2012	61,780
7% Debentures	110,000
Distribution costs	14,700
Dividends paid	14,080

Additional Information:

- Inventories at 31/12/2012 amounted to £107,800
- The interest for the year on the debentures is still accruing
- Depreciation for the year is to be provided as follows

Equipment - 10% straight line on cost

Fixtures – 15% straight on cost

Vehicles - 25% reducing balance

- A provision of £17,600 is to be made in respect to Corporation tax.

Required:

Prepare an income statement for Torre Ltd for the year ended 31 December 2012 and statement of financial position for Torre Ltd as at 31st December 2012.

Question Two

The financial statements below relate to Harry Ltd for the year ended 31st December 2013;

Harry Ltd

Income statement for the year ended 31 December 2013

	£ (000)
Revenue	15,000
Cost of sales	<u>10,000</u>
Gross profit	5,000
Distribution Costs	<u>1,100</u>
Administrative expenses	<u>3,050</u>
Profit from operations	850
Finance costs	<u>185</u>
Profit before tax	665
Income tax expense	<u>265</u>
Net profit for the period	<u>400</u>

Harry Ltd

Statement of Financial Position as at 31 December 2013

	£ 000
ASSETS	
Non - current Assets	6,500
Property, Plant & Equipment (NBV)	
Current Assets	1,500
Inventories	2,250
Trade receivables	<u>250</u>
Cash and cash equivalents	<u>10,500</u>
Total Assets	
EQUITY & LIABILITIES	
Capital and Reserves	2,500
Share capital - Ordinary shares of £1 each	<u>2,000</u>
Retained earnings	<u>4,500</u>
Total Equity	<u>500</u>
5% Preference shares of £1 each	5,000
Total share holders' fund	
Current Liabilities	1,735
Trade Payable	<u>265</u>
Income tax payables	<u>10,500</u>
Total equity and liabilities	£25,000
Total preference dividend paid	£300,000
Total ordinary Dividend paid	£1.65
Current Market Value of one ordinary share	

Required:

Using the following the information

Calculate:

- Return on Capital Employed
- Net profit Margin
- Gross profit margin

- d) Quick ratio
- e) Current ratio
- f) Receivables collection period
- g) Payables payment period
- h) Asset turn over
- i) Inventory turnover
- j) Interest cover

Question Three

In your mail today is information on two projects A & B with the following data

Project	A	B
Initial Investment (million UGX)	300	500
Cash inflows for 5 years		
1	100	200
2	100	250
3	200	250
4	200	250
5	200	2 50

Required

- a) Calculate the payback period for both of the projects and advise management based on your results.(7Marks)
- b) Given 25% as the cost of Capital, calculate the NPV for both projects and advise management on what project should be taken on.(12 Marks)
- c) Discuss any four factors that can change the decisions taken in (a) and (b) above (6 marks)

Question Four

- a) Explain both the short term and long term sources of finance available to Small and Medium Enterprises (SMEs) (10 Marks)
- b) Explain with reasons when each of the identified source is appropriate (15 Marks)

Question Five

- a) Define the term financial analysis and outline the relevance of financial analysis to a business enterprise [9 Marks]
- b) Mention and explain the key functions of a finance manager in any organization of your choice [7Marks]
- c) Describe the various ways through which financial information could be analyzed [8 marks]

Question Six

The following information has been made available from the records of JMB Enterprises for the next six months of 2020.

	Jan	Feb	March	April	May	June
Budgeted Sales Units	4,000	4,200	4,500	5,000	4,800	4,700
Closing Stock Units	1,000	1,500	1,300	800	1,200	1,400

JMB anticipated to sell each unit at 2,000/= every month. The company had opening stock of finished goods amounting to 500 units. JMB planned to reserve closing stock of finished goods at the end of month and are part of the produced units.

Information got from the production manager indicates that each unit will require the following composition of costs to be complete.

Cost element

Raw materials

5 litres @ 2,000/= each

Labour costs

10 hours @ 500/= each

Variable overhead costs

20% of labour costs

Unit Cost in shs

10,000/=

5,000/=

1,000/=

16,000/=

Total

The store's manager states that the company's policy is to reserve raw materials equivalent to 5% of the next month's requirements because the suppliers are unreliable. Closing inventory of raw materials in June will be the same figure as in May.

The raw materials are purchased from eth suppliers at 1,500/= per litre.

Required: Prepare the following functional budgets (5Marks each)

- a) Sales budget
- b) Production budget
- c) Raw Materials utilization / cost budget
- d) Labor cost budget

THE END

MERRY CHRISTMAS AND A PROSPEROUS 2023