

UGANDA MARTYRS UNIVERSITY, NKOZI CAMPUS

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF MANAGEMENT AND MARKETING SCIENCE

**COURSE: FINANCIAL ANALYSIS
CODE: PSM 2202**

FINAL EXAMINATION

Time allowed: 3HOURS

Date: July 18th, 2022

Instructions to candidates:

Read the following before answering the questions

- 1) **This is final individual assessment.**
 - 2) Show all workings.
 - 3) Answer **ANY FOUR** Questions
 - 4) You can type or scan your work
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Question One

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

Question Two

- Identify both the short term and long term sources of finance available to Small and Medium Enterprises (SMEs). [15 Marks]
- Explain with reasons when any of the three identified source is appropriate. [10 Marks]

Question Three

- Discuss the functions of budgeting to an institution like Uganda Martyrs University [9 Marks]
- The following information has been made available from the records of JMB Enterprises for the next six months of 2022.

	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 1,800/= 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		Unit Cost in shs
Raw materials	5 litres @ 1,500/= each	7,500/=
Labour costs	10 hours @ 500/= each	5,000/=
Variable overhead costs	20% of labour costs	1,000/=
Total		13,500/=

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

[4marks @]

- i. Sales budget
- ii. Production budget
- iii. Raw Materials utilization / cost budget
- iv. Labor cost budget

Question Four

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	250

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 Five

The financial statements below relate to UMU Ltd for the year ended 31st December 2021;

UMU Ltd Income statement for the year ended 31 December 2020

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

c) What are
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UMU Ltd
Statement of Financial Position as at 31 December 2020

	Shs (000)
ASSETS	
Non - current Assets	
Property, Plant & Equipment (NBV)	6,500
Current Assets	
Inventories	1,500
Trade receivables	2,250
Cash and cash equivalents	<u>250</u>
Total Assets	<u>10,500</u>
EQUITY & LIABILITIES	
Capital and Reserves	
Share capital - Ordinary shares of Shs1@	2,500
Retained earnings	<u>2,000</u>
Total Equity	4,500
5% Preference shares of Shs1@	<u>500</u>
Total share holders' fund	5,000
Current Liabilities	
Trade Payable	1,735
Income tax payables	<u>265</u>
Total equity and liabilities	<u>10,500</u>
Total preference dividend paid	25,000
Total ordinary Dividend paid	300,000
Current Market Value of one ordinary share	Shs1.65

Required:

Using the following the information

Calculate:

- a) Return on Capital Employed
- b) Net profit Margin
- c) 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

[2.5 Marks each]

Question Six

- a) Distinguish between the terms work capital and working capital management [4 Marks]
- b) Identify any six 5 elements of working capital in a business [5 Marks]

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c) What are actionable tactics can be employed to manage the following for sustainable business performance [4 Marks @]

- i) Debtors
- ii) Creditors
- iii) Inventory
- iv) Cash

The End
Good Luck