



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**14/16, AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS**  
**SCHOOL OF MANAGEMENT SCIENCES**  
**JUNE 2013 EXAMINATION**

**Course Code: ENT 415**

**Credit Unit: 2.**

**Course Title: Analysis of Financial Statement**

**Time Allowed: 2 Hours.**

**Instructions: 1. Attempt Question 1 and any other two (2) Questions.**

**2. Question 1 is compulsory and carries 30 marks while the other 2 Questions carry 20 marks each.**

**3. Present all your points in coherent and orderly manner.**

1. Using the financial statement below, compute the ratios requested below and express in note form what each indicates:
  - a. Current
  - b. Quick
  - c. Debt
  - d. Inventory Turnover
  - e. Net Operating margin
  - f. Return on Total Asset

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Statement-1 EUA Co. Ltd -Balance Sheet as at December 31, 2010

Assets	N	Liabilities	N
Cash	70,000	Accounts payable	150,000
Marketable securities	30,000	Note payable to bank (8%)	200,000
Accounts receivable, net	450,000	Accruals	
20,000			
Inventories	<u>350,000</u>	Income tax payable	<u>80,000</u>
Total current assets	900,000	Total current liabilities	
450,000			
		Mortgage Bonds (6%)	150,000
Gross plant and equipment	2,100,000	Debenture (7%)	
<u>400,000</u>			
Allowance for depreciation	<u>(500,000)</u>	Total liabilities	1,000,000
Net plant and equipment	1,600,000		
Shareholder's equity			
Ordinary Shares	500,000		
Retain earnings	<u>1,000,000</u>		
Shareholder's equity	<u>1,500,000</u>		

Total assets	2,500,000	Liabilities plus equity
<u>2,500,000</u>		

The annual sinking fund contribution is N25,000

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Statement-2 EUA Co. Ltd -Income Statement for the year ended December 31, 2010

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	N	N	N	N
Net Sales				5,400,000
Cost of goods sold			<u>4,400,000</u>	
Gross Margin on sales				1,000,000
Operating expenses:				
Selling	400,000			
General and Administrative	130,000			
Lease payment		<u>20,000</u>		
Total operating expenses				<u>550,000</u>
1. Operating income				450,000
Other revenues- Interest on Marketable Securities + royalties				<u>3,000</u>
Operating income plus other revenues				453,000
Less other expenses:				
Interest on bank note		16,000		
Interest on mortgage		9,000		
Interest on debentures			<u>28,000</u>	
Total interest				<u>53,000</u>
Net income before taxes				400,000
Income taxes (at 50%)				<u>200,000</u>
Net after tax income available to ordinary shareholders (net profit)				<u>200,000</u>
Dividends				30,000
Increase in retained earnings				<u>170,000</u>

(30 marks)

2. Explain cash flow statement and discuss three basic elements and the uses. (20 marks)

3. Discuss financial statement as a tool for management decision making in a business organization. (20 marks)

4. In Receivable management, "receivables expect cash in future". Explain. (20 marks)

5. Explain the steps of cash management of business enterprise. (20 marks)

