



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91, Cadastral Zone, NnamdiAzikwe Express Way, Jabi-Abuja**  
**Faculty of Management Sciences**  
**October/November Examination 2016**

**Course Code: ACC316**

**Course Title: Analysis of Financial Statement**

**Time Allowed: 2 Hours**

**Credit Unit: 2**

**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.*

**Question**

1. The income statement for the year ended 31st December 2014 shows that Shop Right made a profit of N25,000,000. The bank balance had reduced from N16,000,000 at the beginning of the year to N8,000,000 at the end of the year. The Board of Directors considers the reduction in cash balance a poor performance. Consequently, as the Finance Manager, you are required to explain the reduction in cash balance. The analysis of cash receipts and payments in the year is presented as follows:

Cash Receipts:	N'000	N'000
Cash receipts from sales and debtors		175,000
Loan raised for expansion		25,000
Cash Payments:		
Purchases of goods and payment to credits	119,000	
Payment of wages and salaries	12,000	
Payment of interest and bank charges	1,000	
Expenditure on extension of premises	47,000	

Payment for new fittings	11,000
Payment of miscellaneous expenses	<u>18,000(208,000)</u>
Excess of cash payment over cash receipts in the year	<u>(8,000)</u>

2. i. List and explain five users of financial statements. (10 marks)  
 ii. State and briefly explain four bases of measurement. (10 marks)
3. i. In order to meet the objectives of financial statements, there is usually a 'trade-off' between the different qualitative characteristics. Describe three examples of the "trade off" you know. (15 marks)  
 ii. Explain the term "accrual basis". (5 marks).
4. Discuss the term value-added statement.
5. Why is long range profit goal setting necessary for an organization?