



NATIONAL OPEN UNIVERSITY OF NIGERIA
14/16 AHMADU BELLO WAY, VICTORIA ISLAND, LAGOS
SCHOOL OF MANAGEMENT SCIENCES
MARCH 2014 EXAMINATION

Course code: ENT 415 **Credit unit:** 2
Course title: ANALYSIS OF FINANCIAL STATEMENT
Time allowed: 2 hrs

Instructions: 1. Attempt question Number one (1) and any other two (2).

2. Question number 1 is compulsory and carries 30 marks, while the other questions carry 20 marks each

3. Present all your points in coherent and orderly manner

1a) Using the following assumptions made to show depreciation method: Cost of assets

N10,000,000, Estimated lifespan of assets 5 years, Estimated salvage (or residual)

value N2,000,000, Estimated total hours of use 16,000; Calculate depreciation using

Straight line method which recognises depreciation in equal amounts over the estimated

lifespan of the asset. (10 marks)

b) An enterprise uses 10,000 units in 60 days. The ordering costs are N200 per order and the

storage cost for one unit for 60 days is N1. Calculate the Economic Order Quantity. (10 marks)

c) Why is inventory management important? (10 marks) (30 marks)

2. Explain the following ratios as they affect an enterprise (20 marks)

a) Return on capital 4 marks

b) Receivables turnover 4 marks

c) Average collection period 4 marks

d) Debtors collection period 4 marks

e) Average payable period 4 marks

3. Discuss the role of opportunity cost in control of production through choice of products.

(20 marks)

4. Define simulation. Give an illustration. Explain why simulation is applied and example of typical businesses, (20 marks)
5. What is linear programming? Explain short term decision based on linear programming approach. (20 marks)