



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

Course code: ENT 415
Credit unit: 2
Course title: ANALYSIS OF FINANCIAL STATEMENT
Time allowed: 2 hrs
Instruction: Attempt Question 1 and any two questions of your choice

Present your answer legibly and logically using relevant examples.

- 1 The income statement for the year ended 31st December, 2012 showed that a trading store made a profit of N18,000,000. The bank balance had reduced from N10,000,000 at the beginning of the year to N3,000,000 at the 31st December, 2012. By this adverse situation, the entrepreneur requested you as the Financial Analyst to prepare a cash flow statement of the enterprise and give an explanation of the reduction in the cash balance and advise appropriately. The analysis of cash receipts and payments in the year is summarised as cash movement thus:

- 2 Cash receipts:

N'000

N'000

Cash receipts from sales and debtors

145,000

Loan raised for expansion

20,000

165,000

Cash payments:

Purchases of goods & payment to creditor 109,000

Payment of wages & salaries 10,000

Payment of interest & bank charges 1,000

Expenditure on extension of premises 30,000

Payment for new fittings 5,000

Cash withdrawn by the entrepreneur 10,000

Payment of miscellaneous expenses 7,000

172,000

Excess of cash payment over cash receipts in the year

7,000

(30

marks)

2 Discuss the role of income statement of a business Concern.

(20 marks).

3 Define and explain cash flow statement.

(20 marks)

4 State the sources and uses of cash.

(20 marks)

5 Why is inventory management important.

(20 marks)