



(Knowledge for Development)

UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER
SUPPLIMENTARY/SPECIAL EXAMINATION
FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCF 325

COURSE TITLE: FINANCIAL STATEMENT ANALYSIS

DATE: 4/10/2018

TIME: 11:30 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 HOURS

KIBUCO observes ZERO tolerance to examination cheating

This Paper Consists of 5 Printed Pages. Please Turn Over. 

SECTION A

QUESTION ONE (COMPULSORY)

Question One [30 Marks]

- (a) Explain the following financial ratios ;
- (i) Quick ratio[2 ½ marks]
 - (ii) Debt ratio [2 ½ marks]
 - (iii) Inventory ratio[2 ½ marks]
 - (iv) Debtors turnovers[2 ½ marks]
- (b) (i) Define budgeting [2 marks]
- (ii) Discuss any four objectives of a budget [8 marks]
- (c) Explain any five concepts of accounting [10 marks]

SECTION B (CHOOSE ANY TWO QUESTIONS)

Question two [20 marks]

The following information was extracted from the books of Kibabii Ltd, a company that started trading one year ago.

Month	Sales	purchases
2016	sh.	Sh.
April	150,000	100,000
May	160,000	110,000
June	160,000	90,000
July	170,000	90,000
August	200,000	80,000

September	200,000	130,000
October	180,000	140,000
November	180,000	60,000
December	200,000	60,000

The following additional information is available

- Cash in hand at the end of May 2016 will be sh.180,000
- 60% of the sales proceeds are received in the current month, 30% in the following month and the balance is received two months after sales,
- Suppliers are paid one month after delivery of goods ,
- Corporation tax for 2015 amounting to sh.20,000 will be paid on 30 September 2016,
- Contractors retention monies amounting to sh. 50,000 will be paid on 30 June 2016,
- The shareholders at their last Extraordinary General meeting increased the share capital by sh. 70,000 and the first call of sh.40,000 will be received in October 2016,
- In October 2016, the company is due to receive sh. 20,000 as compensation for a civil suit ,
- The monthly administration expenses amounting to sh33, 000 include factory depreciation charges of sh.4, 000 and preliminary expenses of sh.3, 000.
- Office equipments worth sh 13,000 will be paid for in November, 2016.

Required:

Prepare a cash budget for the period 1 June to 31 December 2016 [20 marks]

Question three [20 marks]

Write short notes on the following types of budget:-

- Sales budget [4 marks]
- Production budget [4 marks]
- Direct material budget [4 marks]
- Direct labor budget [4 marks]
- Budgeted income statements [4 marks]

Question four [20 marks]

As a newly appointed finance officer of your organization your managing director has mandated you to prepare a document that details the format of statement of cash flows using knowledge gained from class. Present the steps involved in preparing this statement as given in International Accounting Standard No.7 [20 marks]

Question five [20 marks]

- a. Discuss any five users of financial statements [10 marks]
- b. Explain any five attributes of financial statements [10 marks]

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