



TECHNICAL UNIVERSITY OF MOMBASA
School of Business
DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE
BACHELOR OF SCIENCE MATHEMATICS & FINANCE

BFI 4310: FINANCIAL STATEMENTS ANALYSIS

MAIN EXAMINATIONS
SERIES: AUGUST 2024
TIME: 2 HOURS

INSTRUCTIONS: Answer question **one** and any other **two** questions.

Question One.

(a) As finance manager, explain how the economic environment could affect the financial activities in an organization. **(10marks)**

(b) As finance manager of XYZ Retail had a balance of Ksh. 100,000 million roll over from June into July. In July, XYZ Retail grossed Ksh. 400,000 million in revenue. It's total cash in July is now Ksh. 500,000 million. XYZ Retail's expenses for the month totaled Ksh. 250,000, and taxes on the profit amounted to Ksh. 62,500 million. It's total cash out in July is now Ksh. 312,500 million. Calculate the operating cash flow to the next period. **(10marks)**

(c) As a finance manager, explain the below types ratios and their analysis as could be applied in the success of a business:

- i. Activity ratios **(5marks)**
- ii. Stock market ratios. **(5marks)**

Question Two

(a) As a financial manager:

- i. Define the term a model and financial model in relation to businesses. **(5marks)**
- ii. Identify different types of financial models in relation to businesses.

(5marks)

- (b) Let's assume that at the start of March and the end of March, a company's balance sheet showed total current liabilities of Ksh. 900 million and Ksh. 800 million, respectively. And they made Ksh. 100 million from their working activity. Calculate the current average liability and as a manager make any comments on the results. **(10marks)**

Question Three

- (a) As an expert in financial matters, explain the steps to be used in decision making for financial planning in a business for its success. **(10marks)**
- (b) As a financial manager, highlight the review of the below financial statements for a business:
 - i. Balance sheet statement changes in equity **(5marks)**
 - ii. Cash flow statements. **(5marks)**

Question Four

- (a) At the end of 2023 ABC Ltd. had total liabilities of Ksh.14.2 billion and total shareholder equity of Ksh. 9.65 billion. Calculate the debt ratio and comment on the ratio calculated to the company.

(10marks)

- (b) As finance manager, explain the below ratios analysis and its application to businesses:

- i. Trend analysis. **(4marks)**
- ii. Cross sectional analysis. **(3marks)**
- iii. Dupoint analysis. **(3marks)**

Question Five

- (a) As a financial manager of a company whose cost of goods sold amounts to Ksh. 100,000 and that has a year-end inventory of Ksh. 10,000, using this

information, do determine its inventory turnover and advice the company

about its future.

(10marks)

(b) As a financial manager, use the identified ratios, its calculation and its application on businesses for the below ratios:

i. Profitability ratio

(5marks)

ii. Liquidity ratio

(5marks)