



BERJAYA BUSINESS SCHOOL

FINAL EXAMINATION

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN2173 Financial Statement Analysis**
Trimester & Year : January – April 2018
Lecturer/Examiner : Mohd Khairil bin Bahari
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of:
 PART A (100 marks) : Answer all FIVE (5) short essay questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorised materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, with the exception of multiple choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 4 (Including the cover page)

PART A
INSTRUCTION(S)

: FIVE (5) SHORT ESSAY QUESTIONS (100 MARKS).
: Answer all **FIVE (5)** questions. Write your answer in the Answer Booklet(s) provided.

Question 1

- (a) Accounting for post retirement employee benefits expense other than pensions (e.g., health benefits and life insurance) is similar to accounting for pensions. While there are significant differences, explain **THREE (3)** important aspects are retained. (6 marks)
- (b) Explain **THREE (3)** primary components of net annual post retirement employee benefits expense. (6 marks)
- (c) Explain why a statement of cash flows is considered to add value to the information already available in the statement of financial position and the income statement. (8 marks)

[Total: 20 marks]

Question 2

Warton Ltd has been trading for a number of years as outdoor clothing manufacturers. The summarized balance sheets for the last two years are given below.

| | Year to 31 Dec 20X2 | | Year to 31 Dec 20 X1 | |
|------------------------------|---------------------|------------|----------------------|------------|
| | RM, 000 | RM, 000 | RM, 000 | RM, 000 |
| Fixed Assets | | | | |
| Intangible assets | | 20 | | 35 |
| Tangible assets | | | | |
| Property | | 681 | | 318 |
| Plant/equipment | | <u>196</u> | | <u>171</u> |
| | | 897 | | 524 |
| Current Assets | | | | |
| Stock | 502 | | 121 | |
| Debtors | 397 | | 164 | |
| Investments | 6 | | 140 | |
| Cash at Bank | <u>11</u> | | <u>136</u> | |
| | 916 | | 561 | |
| Current Liabilities | | | | |
| Creditors | (521) | | (260) | |
| Accruals | <u>(106)</u> | <u>289</u> | <u>(38)</u> | <u>263</u> |
| | | 1,186 | | 787 |
| Long term Liabilities | | | | |

| | | |
|-------------------------|--------------|------------|
| 8% Debentures | <u>(170)</u> | <u>Nil</u> |
| Net Assets | <u>1,016</u> | <u>787</u> |
| Financed by: | | |
| Ordinary Share Capital | 360 | 270 |
| Revaluation Reserve | 40 | Nil |
| Profit and loss account | <u>616</u> | <u>517</u> |
| | <u>1,016</u> | <u>787</u> |

The sales for 20X2 and 20X1 respectively were RM 2,150,000 and 1,602,000. The cost of goods sold for 20X2 and 20X1 respectively was 1,610,000 and 1,085,000.

Required:

a) Calculate the following accounting ratios:

- i. Gross profit percentage
- ii. Quick (or Acid test) ratio
- iii. Working capital (current) ratio
- iv. Debtors collection period (days)
- v. Stock turnover

(10 marks)

b) Comment on each of the ratios you have calculated.

(10 marks)

[Total 20 marks]

Question 3

a) Explain **FOUR (4)** importance of return on invested capital.

(8 marks)

b) The total base asset base for computing return on invested capital is sometimes subject to adjustments. Explain all **THREE (3)** adjustments.

(9 marks)

c) List **THREE (3)** other computations of invested capital available.

(3 marks)

[20 marks]

Question 4

- a) Identify and explain **THREE (3)** useful tools for analysis between revenues and expenses. (9 marks)
- b) Explain **FOUR (4)** factors in measuring company income. (8 marks)
- c) List any **THREE (3)** assumptions about expenses and revenues. (3 marks)

[Total 20 marks]

Question 5

- a) Financial analysis is motivated by various objectives, which falls within all of the six areas of inquiry. Explain the **SIX (6)** building blocks of analysis. (12 marks)
- b) Explain **FOUR (4)** limitations in cash flow reporting. (8 marks)

[Total 20 marks]

END OF EXAM PAPER