

SCHOOL OF BUSINESS AND ECONOMICS

BACHELOR OF COMMERCE(accounting option) 13/2/19 CAT1

a)Discuss the need for Financial framework(6mks)

b)Discuss the essential features of financial analysis. (5 marks)

c)Kirinyaga university is expanding its services in Kenya. Accounts prepared in January 2012 included the following true information

Profit statement of the year ended 31st December	2010	2011
Sales	3,000	4,200
Less cost of goods sold	2,100	2,800
Gross profit	900	1,400
Less: Trading expenses	450	550
Trading Profit	450	850
Less: Debenture interest	25	25
Net profit before taxation	425	825
Less: Corporation Tax	160	320
Net profit after taxation	265	505
Less: Ordinary share dividend	125	175
Reserves	140	330
 Balance Sheet as at 31st December :		
Fixed Assets at cost	1,000	1,400
Less: Depreciation	200	250
	800	1,150
 Current Assets:		
Stock	400	500
Debtors	250	350
Cash	80	-
	700	900
Less: Current Liabilities		

Creditors	145	200
Taxation	160	320
Proposed dividend	125	175
Bank Overdraft	(430)	65
	1,100	1,290
Sources of Capital:		
Ordinary share Capital authorized and issued	500	500
Undistributed profit	350	680
10% Debentures	250	110
	1,100	1,290

Required:

a) Calculate the Current Ratio as at 31st December. (2 marks)

b) Calculate the Asset Turnover rate for 31st December (3 marks)

c) Calculate the Return on Capital Employed. (3 marks)

d) Comment on the current position. (2 marks)

e) Highlight the limitations of Ratio Analysis. (5 marks)

f) Highlight the uses of Ratio Analysis (5 mks)

Comparisons

*- Monopoly
- Inflation
- Historical*

*Below that
Statement of Financial position
Income statement.*