

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING **10331**

UNIT 2 ANALYSING FINANCIAL STATEMENTS AND REPORTS

TUESDAY 19 JANUARY 2016

9.30 AM

TIME: 1 HOUR 30 MINUTES

INSTRUCTIONS TO CANDIDATES

Fill in all the boxes below. Use CAPITAL LETTERS.

CENTRE DETAILS

Centre Number	Centre Name

COMPUTER REF

1	1	6	1	0	3	3	1
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CANDIDATE DETAILS

Surname or Family Name	First Name	Initials of Other Forenames	DATE OF BIRTH							
			D	D	M	M	Y	Y	Y	Y

- Do **not** open the booklet until told to do so by the invigilator.
- Answer **ALL** questions.
- Write your answers in the spaces provided on the question paper.
- Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Use black ink.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part question.

The total number of marks for this paper is **60**

You may use a calculator.

FOR EXAMINERS' USE ONLY

1 (a)		3 (a)	
1 (b)		3 (b)	
1 (c)		4	
1 (d)		5 (a)	
1 (e)		5 (b)	
2 (a)			
2 (b)			
TOTAL =			

1. The financial year of Yulang Ltd ends on 31 December. The following information is extracted from the financial statements for 2015 and 2014.

	2015	2014
	£	£
Sales	814 000	752 000
Cost of sales	480 000	447 000
Stock (inventory)	102 000	87 000
Trade debtors	115 000	76 000
Trade creditors	97 000	58 000
Bank overdraft	36 000	23 000

Stock (inventory) at 1 January 2014 amounted to £81 000. All sales and purchases were on credit.

- (a) Calculate both of the liquidity ratios listed in the table below for 2015 and 2014. Give your answer, where appropriate, correct to two decimal places.

	2015	2014
Current ratio		
Quick (acid) ratio		

[2]

[2]

- (c) Calculate each of the working capital efficiency ratios listed in the table below for 2015 and 2014.

Give your answer, where appropriate, correct to two decimal places.

	2015	2014	
Stock (inventory) turnover (in number of days)			[2]
Debtor turnover (in number of days)			[2]
Creditor turnover (in number of days)			[4]

- (e) Yulang Ltd wishes to increase its bank overdraft limit. The bank manager has requested the company's financial statements for the last two years.

Explain why the bank manager is interested in these financial statements.

[3]

2. The following financial data relates to Jetcos plc for the year ended 31 December 2015.

	£
Sales	936 000
Cost of sales	518 000
Interest expense	14 500
Net profit after tax	48 000
£1 Ordinary share capital	300 000
Retained profits	82 000
Debentures	150 000
Dividend paid	18 000
Market price per share	£2.40

- (a) Calculate each of the financial ratios listed in the table below.
Give your answer, where appropriate, correct to two decimal places.

Gross profit margin		[1]
Return on capital employed		[2]
Return on equity		[1]
Earnings per share		[1]
Price/earnings ratio		[1]
Dividend yield		[2]

(b) State **three** ways in which a business may use profits as an internal source of finance.

1 _____

[1]

2 _____

[1]

3 _____

[1]

4. Outline **three** components of a profit and loss account (income statement).

1 _____

[2]

2 _____

[2]

3 _____

[2]

5. The summarised statement of cash flows for Velo Ltd for the year ended 31 December 2015 is as follows:

	£
Cash flows from operating activities	
Net cash used in operating activities	(110 000)
Cash flows from investing activities	
Net cash used in investing activities	(180 000)
Cash flows from financing activities	
Net cash from financing activities	280 000
Net decrease in cash and cash equivalents	<u>(10 000)</u>
Cash and cash equivalents at beginning of period	<u>94 000</u>
Cash and cash equivalents at end of period	<u>84 000</u>

a) Explain what is meant by each of the following terms:

i) cash flows from operating activities

[2]

ii) cash flows from investing activities

[2]

iii) cash flows from financing activities

[2]

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