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**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**Plot 91, Cadastral Zone, NnamdiAzikwe Express Way, Jabi-Abuja**

**Faculty of Management Sciences**

**October/November Examination 2016**

**Course Code: ACC316**

**Course Title: Analysis of Financial Statement**

**Time Allowed: 2 Hours Credit Unit: 2**

**Instructions**:

1. ***Attempt Question 1 and any other two (2) Questions;***
2. ***Question 1 is compulsory and carries 30 marks while the other 2 Questions carry 20 marks each.***
3. ***Present all your points in coherent and orderly manner.***

**Question**

1. The income statement for the year ended 31th December 2014 shows that Shop Right made a profit of N25,000,000. The bank balance had reduced from N16,000,000 at the beginning of the year to N8,000,000 at the end of the year. The Board of Directors considers the reduction in cash balance a poor performance. Consequently, as the Finance Manager, you are required to explain the reduction in cash balance. The analysis of cash receipts and payments in the year is presented as follows:

Cash Receipts: N’000 N’000

Cash receipts from sales and debtors 175,000

Loan raised for expansion 25,000

Cash Payments:

Purchases of goods and payment to credits 119,000

Payment of wages and salaries 12,000

Payment of interest and bank charges 1,000

Expenditure on extension of premises 47,000

Payment for new fittings 11,000

Payment of miscellaneous expenses 18,000(208,000)

Excess of cash payment over cash receipts in the year (8,000)

1. i. List and explain five users of financial statements. (10 marks)

ii. State and briefly explain four bases of measurement. (10 marks)

1. i. In order to meet the objectives of financial statements, there is usually a ‘trade-off’ between the different qualitative characteristics.Describe three examples of the “trade off” you know. (15 marks)

ii. Explain the term“accrual basis”. (5 marks).

1. Discuss the term value-added statement.
2. Why is long range profit goal setting necessary for an organization?