

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING **10331**

UNIT 2 ANALYSING FINANCIAL STATEMENTS AND REPORTS

TUESDAY 17 JUNE 2014 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

6	1	4	1	0	3	3	1
---	---	---	---	---	---	---	---

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		3	
2		4	
TOTAL =			

Ofqual Unit Reference Number: D/504/1299

H053 JUN 14

This document consists of 16 pages. Any blank pages are indicated.

Answer **all** questions.

1 The following financial information relates to Bradford plc.

- Equity as at 31 December 2013

	£
Share capital - £1 ordinary shares	5 000 000
Retained earnings	<u>1 140 000</u>
Total equity	<u>6 140 000</u>

- Extracts from financial statements for year ended 31 December 2013

	£
Net profit for the year	750 000
Less: Dividend paid	<u>360 000</u>
Retained earning for the year	<u>390 000</u>

- Market price per ordinary share as at 31 December 2013 £2.40

a) Calculate each of the following ratios:

- i) earnings per share

(1 mark)

- ii) price/earnings (PE) ratio

(1 mark)

- iii) dividend yield.

(2 marks)

- b) With reference to the calculation in 1 (a) (ii), comment on the PE ratio of Bradford plc.

(2 marks)

- c) Explain whether the shareholders of Bradford plc are likely to be satisfied with the dividend yield.

(3 marks)

d) Bradford plc has a net profit of £750 000. Explain **three** possible reasons why only £360 000, and not the whole £750 000 has been paid to shareholders as a dividend.

1) _____

(2 marks)

2) _____

(2 marks)

3) _____

(2 marks)

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

- 2 The following financial information is extracted from the books of Sun Ltd and Moon Ltd as at 31 December 2013. Both companies operate in the same industry.

	Sun Ltd	Moon Ltd
	£	£
Sales (all credit sales)	780 000	950 000
Cost of goods sold	590 000	720 000
Stock (Inventory)	198 000	116 000
Debtors (Accounts receivable)	100 000	108 000
Cash	31 000	78 000
Creditors (Accounts payable)	135 000	150 000

The stock/inventory value of Sun Ltd and Moon Ltd at 1 January 2013 was £208 000 and £126 000 respectively.

- a) Using the financial information given for Sun Ltd and Moon Ltd, calculate the following ratios for each of the two companies. (Give your answers, where appropriate, correct to two decimal places.)
- i) Current ratio
 - ii) Quick/acid ratio
 - iii) Debtor (accounts receivable) turnover, in number of days
 - iv) Stock (inventory) turnover, in number of days

	Sun Ltd	Moon Ltd
Current ratio		
Quick/acid ratio		
Debtor (accounts receivable) turnover, in number of days		
Stock (inventory) turnover, in number of days		

(8 marks)

[Turn over

(8 marks)

c) i) How is working capital calculated?

(1 mark)

ii) Explain why companies need to maintain adequate working capital.

(3 marks)

3 One purpose of recording business transactions is to meet legal requirements. Explain **two** other purposes of recording business transactions.

1) _____

(3 marks)

2) _____

(3 marks)

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK

Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee
Registered in England
Registered Office: 1 Hills Road, Cambridge, CB1 2EU
Registered Company Number: 3484466
OCR is an exempt Charity

H053 JUN14