



EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

Special Examination in Bachelor of Business Administration / Commerce-

2009/2010 (Feb/March 2011)

(Proper/Special Repeat)

DAF 4213 - Financial Reporting and Statement Analysis

Answer All Questions

Time Allowed: 03 Hours

Non Programmable Calculators are permitted.

1. (I) Explain the uses of financial statement analysis

(15 Marks)

(II) Explain the "Investing Activities" of a company

(15 Marks)

(Total 30 Marks)

2. Comparative income statements of a Company for the years 2010 and 2009 are as below:

	2010	2009
Net sales	Rs.600000	Rs.500000
Cost of goods sold	390000	280000
Gross Profit	210000	220000
Operating expenses	100000	130000
Income before taxes	110000	90000
Income taxes	30000	25000
Net income	80000	65000

Required:

Prepare common-size statements showing the percent of each item to sales for both years 2009 and 2010 and interpret the trend shown in your percent calculations.

(30 Marks)

3. Company is a retailer dealing in a single product. Beginning inventory is 300 units @ Rs.100 each as at 1st of January. and the operating expenses for the year are Rs.50000. The following purchases are made during the year:

Month	No. of Units	Cost Per Unit (Rs.)
January	200	110
March	300	115
June	600	125
October	400	160
December	500	170
Total	2000	

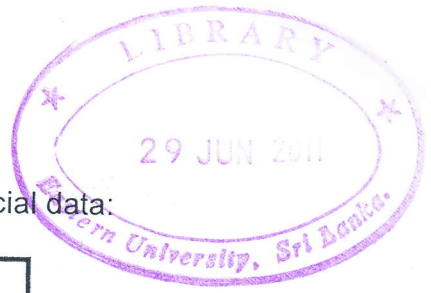
Ending inventory at December 31 is 500 units.

Required:

Determine net income for the year using each of the following inventory accounting methods. Assume a sale price of Rs.350 per unit and ignore income taxes.

- (i) First In First Out (FIFO)
- (ii) Last In First Out (LIFO)

(30 Marks)



4. Determine the cost of sales of a firm with following financial data:

Current ratio	2.5
Quick ratio	2.0
Current Liabilities	Rs.800000
Inventory turnover	3 times

(10 Marks)