PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: CFN401

COURSE TITLE: FINANCIAL MODELLING & FORECASTING

EXAM DATE: MONDAY

TIME: 2.00PM – 5.00PM

INSTRUCTIONS

- This examination script consists of **six (6)** questions.
- Answer question ONE and ANY other three Questions.
- Show all your workings
- Read all questions carefully before attempting.

Write your **student number** on the answer booklet provided.

QUESTION ONE

Using a relevant example, distinguish between the following terms:

a) Financial forecasting and financial modeling (3marks)
b) A budget and a forecast (3marks)
c) Vertical and horizontal analysis (4marks)

QUESTION TWO

a) Using relevant examples, describe any two types of financial models (4marks)
b) Using relevant examples, explain any three benefits of financial forecasting in a restaurant (6marks)

QUESTION THREE

a) Explain any two benefits of financial statement analysis in financial forecasting (4marks)
b) Describe the labour budgeting process citing examples from a learning institution (6marks)

QUESTION FOUR

ABC Co. prepares its master budget on a quarterly basis. During the first quarter, the selling price is projected at sh15 and the actual credit sales in units are expected to be 120, 85, 100 and 135 for April, May, June and July respectively respectively. Credit sales are usually collected as follows: 25% in the month of sale, 45% in the following month, 28% in the month after, and the remaining 2% is uncollectible.

a) Prepare a sales budget (3marks)
b) Determine the monthly and hence the total budgeted cash collections during the quarter (7marks)

QUESTION FIVE

a) Citing examples, describe any two causes of cashflows deficit (4marks)

b) The following financial data for the month of March 2021 for Company XL has been provided:

	March (Sh'000')	April (Sh'000')	May (Sh'000')
Receipts:			
Cash sales	1,200		
Credit customers	800		
Expenditure:			
Purchases of materials	600		

Wages & salaries	500
Bank interest	120
Acquisition of computers	275
Net cash flow	505

The company projects changes in net cash flows in the months of April and May as follows:

- Cash sales increase by 5%, Purchases increase by 4% in April
- Receipts from credit customers decrease by 1% in May, bank interest decrease by 2% in April

Required:
Project the net cashflows for each of the months of April and May (6marks)

QUESTION SIX

The following details of income statement for the year ended 31 June 2021 for Delta & Co. have been provided:

	(Sh'000')
Sales	5,000
Cost of sales	2,300
Gross profit	2,700
Expenses	2,500
Net profit	200

Required:

a) Conduct a vertical analysis on cost of sales and expenses (4marks)
b) Conduct a horizontal analysis on cost of sales and expenses (4marks)
c) Compare the results from the two techniques and comment (2marks)