PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: CFN401

COURSE TITLE: FINANCIAL MODELLING & FORECASTING

ROYSAMBU CAMPUS - DAY

EXAM DATE: FRIDAY

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) Explain any two benefits of financial forecasting in a learning institution (4marks)
b) Using relevant examples, describe any two types of financial models (6marks)

QUESTION THREE

a) Using relevant examples, discuss any two budgeting techniques (4marks)
b) Citing examples from a manufacturing business, describe three causes of cash flows deficits (6marks)

QUESTION FOUR

Describe the budgeting process citing examples from a hotel business (10marks)

QUESTION FIVE

a) Distinguish between sensitivity analysis and scenario analysis (2marks)

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

	March (Sh'000')	April (Sh'000')
Receipts:		
Cash sales	1,200	
Debtors	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 month of April within three scenarios: Boom, Stagnation, Decline as follows:

Boom - Cash sales increase by 5%, Purchases increase by 4%
Stagnation - Cash sales increase by 1%, Purchases decrease by 3%
Decline - Cash sales decrease by 7%, Purchases decrease by 2%

Required:
Project the net cash flows for the month of April under each of the scenarios (6marks)

QUESTION SIX

The following details of income statement for the year ended 31 December 2020 for H & 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 sales and expenses (4marks)
b) Conduct a horizontal analysis on sales and expenses (4marks)
c) Compare the results from the two techniques and comment (2marks)