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**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:

1. Financial forecasting and financial modeling (3marks)
2. A budget and a forecast (3marks)
3. Vertical and horizontal analysis (4marks)

**QUESTION TWO**

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

**QUESTION THREE**

1. Using relevant examples, discuss any two budgeting techniques (4marks)
2. 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:

1. Conduct a vertical analysis on sales and expenses (4marks)
2. Conduct a horizontal analysis on sales and expenses (4marks)
3. Compare the results from the two techniques and comment (2marks)