

QUESTION 1

Answer the following question using an essay format with a maximum that ranges between 300 to 500 words for each question: (30 marks, 15 marks for each sub-question):

- a) There are three main forms of firm's ownership, sole proprietorships, partnerships and corporations in business organizations. **Identify** and **explain** these forms in private firms.
- b) There are three types of activities (operating, financing and investing) generate funds to the organization. **Identify** and **explain** with examples these activities in private firms

QUESTION 2

The following Balance Sheet and Income Statement are taken from the accounts of Gulf Corporation for wholesale carpet business. Answer the following question with establishing table for comparison between the financial position of the company in 2012 and 2013 and a report for your decision

Required

1. Use the above Income Statement and the Balance Sheet to assess:
 - A. Liquidity ratios
 - B. Gearing ratio
 - C. Efficiency ratios
 - Inventory turnover period
 - Settlement period for trade receivables
 - D. Profitability ratios
 - Return on ordinary shareholders' funds
 - Return on capital employed
 - Operating profit margin
 - Gross margin profit
 - E. Investment ratio
 - Earnings Per Share (EPS)
2. The company is applying for a bank loan. The bank manager seeks your advice on whether to lend the company in a form of a report. Base your report on the above results.

Statements of Financial Position (balance sheets) of Gulf Cooperation for wholesale carpet business as at 31 March 2013

Assets	2012	2013
Non-current assets		
Plant and equipment (at cost less depreciation)		
Land and buildings	5000	8000
Fixtures and fittings	3000	4000
	8000	12000
Current assets		
Inventories	500	1000
Trades receivable	1000	1500
Cash at banks	500	500
	2000	3000
Total Assets	10000	15000
Equity and liabilities		
Equity		
\$ 0.50 ordinary shares	4000	5000
Retained earnings	2000	3000
	6000	8000
Non-current liabilities		
Borrowing	2000	3000
Current liabilities		
Trade payables	1500	2500
Taxation	500	1000
Short-term borrowings (all bank overdraft)	0	500
	2000	4000
Total Equity and Liabilities	10000	15000

Profit and Loss Accounts for the year ended 31 March 2013

	2012	2013
Sales	5000	8000
Cost of sales	3000	6000
Gross profit	2000	2000
Operating expenses	1000	1000
Operating Profit	1000	1000
Interest payable	250	200
Profit before tax	750	800
Taxation	100	100
Profit for the year	650	700