

Cork Institute of Technology

Bachelor of Science in Construction Economics – Award

Bachelor of Science in Construction Management - Award

(CCECO_7_Y3)(CMNGT_7_Y3)

Autumn 2008

Financial Management

(Time: 3 Hours)

Instructions

Answer FIVE questions.

All questions carry equal marks.

Examiners: Mr. D.F. Coveney

Mr. J. Hanahoe

Mr. P. Quinn

Mr. S. Brady

Q1. Below is the Trading, Profit and Loss Account for the years 2007/2008 and respective Balance Sheets as at 30th April 2007 and 2008.

From the information supplied you are required to:

(a) Calculate the following rates for the years 2007 and 2008 respectively:

- (i) Gross Profit
- (ii) Mark Up
- (iii) Net Profit
- (iv) Return on Capital Employed
- (v) Stock Turnover
- (vi) Current Ratio
- (vii) Acid Test
- (viii) Trade Debtors/Collection Period
- (ix) Trade Creditors/Payment Period

(b) Comment upon the company's performance for the year to 30th April 2008.

Trading, Profit and Loss Account for year ended 30th April 2007 and 2008

	2007		2008	
	€000	€000	€000	€000
Sales (All credit)		2000		1800
Less Cost of goods sold				
Opening Stock	120		150	
Purchasing (all on credit terms)	<u>1380</u>		<u>1230</u>	
	1500		1380	
Closing Stock	<u>150</u>	<u>1350</u>	<u>180</u>	<u>1200</u>
Gross Profit		650		600
Less Expenses		<u>330</u>		<u>380</u>
Net Profit		<u>320</u>		<u>220</u>

Balance Sheet at				
	30th April 2007		30th April 2008	
Fixed Assets (net book value)		700		750
Current Assets				
Stock (closing)	150		180	
Trade debtors	480		700	
Bank	<u>40</u>		<u>0</u>	
	670		880	
Less Current Liabilities:				
Bank Overdraft	--		50	
Trade Creditors	<u>290</u>		<u>300</u>	
	290	<u>380</u>	350	<u>530</u>
		<u>1080</u>		<u>1280</u>
Capital and Reserves:				
Ordinary Share Capital		600		600
Profit and Loss Account/Retained Profit		<u>480</u>		<u>680</u>
Shareholder's Funds		<u>1080</u>		<u>1280</u>

Q2. Discuss Examinership, how an Examiner is appointed, their function and responsibilities?

(25 marks)

Q3. Discuss the steps one would take/recommend to deal with employee problem behaviour.

(25 marks)

Q4. What action/steps should you take if the firm/corporation you manage is suffering from a cash flow problem?

Q5. It is decided to install a financial incentive scheme for the excavation of a trench to bury 10 km of 500 mm diameter pipe. The activity involves a dragline excavator, its driver and two labourers bottoming out the trench. The total of this excavation involved is 14,000 m³ and the gang is set an output target of 10 m³ per hour to excavate and bottom out the trench base.

At the end of the first week, which includes weekend working, the time booked for excavating 800 m³ of earth is shown below.

Summary of Hours Worked

Description	M	T	W	T	F	S	S	Total
Driver	8	9	9	10	8	8	4	56
Labour 1	9	9	10	10	10	8	4	60
Labour 2	9	9	4	4	4	4	-	34
Servicing Machine	-	-	4	2	1	-	-	7
Total	26	27	27	26	23	20	8	157

- The basic rate of payment is €1.00 per hour.
- The bonus is paid at 50% of each hour saved.
- The machine driver receives 1.5 shares and the labourers 1 share each.
- Overtime is paid at the rate of time and a half.
- Calculate the bonus earned by each person during the first week and their total earnings.

Q6. (a) What are the benefits of Business Planning for the organisation/business?

(b) Set out and discuss the eight steps involved in the Process of Business Planning process.

Q7. Discuss the different sources of funding available to a business.