S6 BAFS Practice Paper: Financial Ratio Analysis, Gross Margin, Turnover Days, CVP Break-even, Capital Budgeting (NPV, Payback, ARR), Bank Reconciliation (100 marks)

Level: S6 | Subject: Business, Accounting and Financial Studies | 75 minutes | 100 marks | 24 questions | question paper

Part A Financial ratio analysis (16 marks)

Use the data below for questions 1 to 4. Ming Fai Trading Ltd, year ended 31 December 2026 (HK$000): sales 2,400,000; cost of sales 1,560,000; operating expenses 504,000; operating profit 336,000; profit before tax 300,000; profits tax 49500; current assets 900,000 (inventory 390,000, receivables 420,000, cash 90,000); current liabilities 450,000; non-current liabilities 400,000; equity 800,000; 500,000 ordinary shares in issue. Opening inventory 350,000; opening receivables 380,000; average payables 290,000.

#	Question	Marks
1	Calculate the gross profit margin.	4
2	Calculate the current ratio and the quick ratio.	4
3	Calculate return on capital employed (ROCE) and gearing (non-current liabilities / capital employed).	4
4	Calculate the net profit margin and earnings per share.	4

Part B Income statement and gross margin (16 marks)

Using the data of Ming Fai Trading Ltd in Part A, answer questions 5 to 8.

#	Question	Marks
5	Calculate the gross profit in dollars.	4
6	If operating expenses are 21% of sales, what is the operating profit?	4
7	If selling prices are cut by 5% while volume and costs stay unchanged, what is the new gross margin?	4
8	If cost of sales rises by 10% and prices are unchanged, what sales revenue is needed to keep a 35% gross margin?	4

Part C Inventory and receivables turnover (16 marks)

Using the data in Part A, answer questions 9 to 12 (use 365 days a year, 1 decimal place).

#	Question	Marks
9	Calculate the inventory turnover in times and the inventory turnover period in days.	4
10	Calculate the receivables turnover in times and the average collection period in days.	4
11	Assuming all purchases are on credit, calculate the payables turnover period in days.	4
12	Calculate the cash conversion cycle; if the payables period is extended to 75 days, what does it become?	4

Part D Cost accounting and break-even (16 marks)

A product sells for $100 per unit with variable cost of $60 per unit and annual fixed costs of $240,000. Answer questions 13 to 16.

#	Question	Marks
13	Calculate the unit contribution margin and the contribution margin ratio.	4
14	Calculate the break-even sales volume in units and the break-even sales revenue.	4
15	If 8,000 units are sold, calculate the profit and the margin of safety in units and in percentage.	4
16	How many units must be sold to earn a target profit of $120,000?	4

Part E Capital budgeting (16 marks)

Project A requires an initial outlay of $500,000 and generates net cash inflows of $140,000 a year for 5 years. The discount rate is 10% and the 5-year annuity factor at 10% is 3.7908. Project B has an NPV of $45,000. Answer questions 17 to 20.

#	Question	Marks
17	Calculate the net present value of Project A.	4
18	Calculate the payback period of Project A.	4
19	Assuming straight-line depreciation with no residual value, calculate the accounting rate of return on average investment.	4
20	Calculate the profitability index of Project A and state which project should be chosen when capital is not rationed.	4

Part F Bank reconciliation and cash flow (20 marks)

At 30 June: the bank statement balance is $124,500 and the cash book balance is $125,050; outstanding cheques $8,900; deposits in transit $12,300; bank charges $150, a direct customer deposit $5,000 and a dishonoured (NSF) cheque $2,000 are all unrecorded in the books. Net profit for the year is $250,500, depreciation 120,000, an increase in inventory of 40,000 and an increase in receivables of 40,000. Answer questions 21 to 24.

#	Question	Marks
21	Starting from the bank statement balance, calculate the adjusted bank balance.	5
22	Starting from the cash book balance, calculate the adjusted book balance and state whether the two agree.	5
23	Calculate the cash flow from operating activities using the indirect method.	5
24	Compare operating cash flow with net profit and explain the reason for the difference.	5