

Undergraduate Diploma in Business Administration: Intakes September 2025

Assessment Task: Written assignment based on chosen questions								
Module: <i>Financial Analysis</i>	Tuition Centre: 21 Academy							
	Licence Number: 2018-017							
Level: Award MQF Level 5	Student Name:							
Date:	Student Number:							
Assignment Deadline: 28 May 2026								
<p>Task The purpose of this unit is to develop an understanding of a particular topic you will write about which forms part Financial Analysis.</p> <p>Note This assessment provides students with an opportunity to put into practice the relevant provisions in relation to the topic they choose to write about forming part of Financial Analysis.</p> <p>Note You should plan to spend approximately 20 hours researching the assignment question, preparing for and writing the assignment for assessment. The nominal word count for the assignment is 1,200 words. You are expected to use the Harvard referencing style. You are expected to use the Harvard referencing style. Make sure to go through the Assignment Guidelines made available in the course resource centre.</p>								
Choose 1 question from the following:								
☐ Question 1: <p><i>Bella Pasta Ltd</i> is a family-owned restaurant in Malta that has been operating successfully for 8 years. The owners are considering three separate projects:</p> <ol style="list-style-type: none"> 1. Refurbishing the dining area at a cost of €25,000 2. Purchasing a new commercial oven and kitchen equipment costing €60,000, expected to last 10 years 3. Opening a second branch in another locality, requiring approximately €350,000 <p>Required:</p> <ol style="list-style-type: none"> a) Explain the difference between internal and external sources of finance, giving two examples of each. b) For each of the three projects above, recommend the most appropriate source of finance. Justify your choice in each case by referring to the cost, the useful life of the investment, and the level of risk involved. c) The owners are reluctant to take on a bank loan because they "don't like owing money." Write a short response (approximately 150 words) explaining to them why debt finance is not always a bad thing and what advantages it can offer compared to using only retained profits or personal savings. 								
☐ Question 2: <p>Mediterranean Traders Ltd, a wholesale distributor of household goods in Malta. Income Statement for the years ended 31 December 2024 and 2025</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">2024 (€)</th> <th style="text-align: center;">2025 (€)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Revenue (Sales)</td> <td style="text-align: center;">720,000</td> <td style="text-align: center;">850,000</td> </tr> </tbody> </table>				2024 (€)	2025 (€)	Revenue (Sales)	720,000	850,000
	2024 (€)	2025 (€)						
Revenue (Sales)	720,000	850,000						

Less: Cost of Sales	(432,000)	(552,500)
Gross Profit	288,000	297,500
Less: Operating Expenses		
Salaries and Wages	(75,000)	(98,000)
Rent and Utilities	(24,000)	(32,000)
Marketing and Advertising	(15,000)	(28,000)
Depreciation	(14,000)	(18,000)
Other Administrative Expenses	(16,000)	(21,500)
Total Operating Expenses	(144,000)	(197,500)
Operating Profit	144,000	100,000
Less: Finance Costs (Interest)	(6,000)	(12,000)
Profit Before Tax	138,000	88,000
Less: Taxation	(24,840)	(15,840)
Net Profit for the Year	113,160	72,160

Extract from the Balance Sheet as at 31 December 2025 and 2024

	2024 (€)	2025 (€)
Non-Current Assets		
Property, Plant and Equipment (Net)	210,000	285,000
Current Assets		
Inventory	58,000	92,000
Trade Receivables	75,000	138,000
Cash	42,000	8,500
Total Current Assets	175,000	238,500
Total Assets	385,000	523,500
Equity		
Share Capital	150,000	150,000
Retained Earnings	96,000	138,160
Total Equity	246,000	288,160
Non-Current Liabilities		
Long-term Bank Loan	60,000	120,000
Current Liabilities		
Trade Payables	62,000	89,340

Bank Overdraft	17,000	26,000	
Total Current Liabilities	79,000	115,340	
Total Equity and Liabilities	385,000	523,500	

The directors are considering two options to improve performance in 2026:

Option A: Take out an additional long-term bank loan of €80,000 to invest in a new warehouse and delivery vehicles, with the aim of expanding into new markets.

Option B: Focus on reducing operating expenses, tightening credit control on receivables, and improving inventory turnover, without taking on further debt.

Acting as the company's management accountant, write a short report (approximately 300 –350 words) advising the directors. Your report should consider both short-term and long-term implications, refer to the company's current gearing position in supporting this decision.

Question 3:

Appraise the financial position and financial performance of an organisation through the use of cash flow and ratio analysis.

On 1 October 2018 Manny Kyoor and his wife formed a limited company, Kyoor Ltd, to run a beautician's business, and each paid in €37,500 as share capital. The bank loaned the company a further €80,000 at 9% interest per annum.

At 30 September 2019 the business's final accounts were drawn up as follows:

Kyoor Ltd.

Statement of Profit and Loss for the year ended 30 September 2019

	€	€
Sales and fees		350,000
<u>Less Cost of Sales</u>		
Opening inventory	31,500	
<u>Add Purchases</u>	280,000	
	311,500	
Closing inventory	(66,500)	(245,000)
Gross Profit		105,000
<u>Less Expenses</u>		
Rent and Rates	3,950	
Advertising	1,750	
Wages	29,000	
Heat and light	5,250	
Interest due	7,200	
Depreciation	12,000	(59,150)
Net profit		45,850

Industry average ratios and other relevant data concerning businesses similar to Kyoor Ltd were as follows:

(i)	Gross Profit percentage	30.00%
(ii)	Net Profit percentage	18.07%
(iii)	Current ratio	2.21:1
(iv)	Liquid (quick) ratio	1.02:1
(v)	Inventory Turnover ratio	8 times
(vi)	Non-Current Assets to Sales	50.18%
(vii)	Return on Total Assets	25.37%
(viii)	Return on Net Assets (ROCE)	34.93%
(ix)	Receivables' Collection Period	25 days
(x)	Payables' Payment Period	30 days

Required:

- Prepare the statement of financial position as at 30 September 2019.
- Calculate each of the above ratios, to 2 decimal places, for Kyoor Ltd. List also, for each ratio, their meaning and use; and their importance and limitations
- Compare and comment on the business's performance in the light of the data for the industry. Before you start commenting add another column to the table provided and write down Kyoor Ltd percentages, ratios and periods. [Note: It is not sufficient to say that a ratio is 'higher' or 'lower' than the industry average – it must be made clear whether you think it is better or worse than the industry average and you must give reasons for your comments.]

Pass Mark - 50% of all the module's weighted assessment methods.	Total Assignment Weighting - 55%
By submitting I confirm that this assessment is my own work	
Mark:	Signature: <main assessor>
Date	Signature: <quality assurance>