

# INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)



MAY 2011 EXAMINATIONS  
(PROFESSIONAL)

PART 3

FINANCIAL MANAGEMENT  
(Paper 3.4)

Attempt ALL Questions

TIME ALLOWED:

Reading & Planning - 15 Minutes  
Workings - 3 Hours

## QUESTION 1

- (a) Discuss the concept of shareholder value maximisation, explaining why it is considered more appropriate than profit maximisation. (4 marks)
- (b) Distinguish between “efficient portfolios” and “optimal portfolios”. (3 marks)
- (c) Explain the role of the Financial Manager in the public sector organisations. (5 marks)
- (d) You have recently been appointed as a Finance Manager of SICA Company Ltd. The statement of comprehensive income of the company for two years is as follows:

SICA Ltd  
Statement of Comprehensive Income for the year ended December 31

	2010	2009
	GHS	GHS
Revenue	51,887.50	41,235.50
Cost of sales	<u>(24,146.50)</u>	<u>(19,230.00)</u>
Gross profit	27,741.00	22,005.50
Distribution costs	(11,171.00)	(9,314.00)
Administrative expenses	<u>(4,216.00)</u>	<u>(3,092.00)</u>
Operating profit	12,354.00	9,599.50
Interest received	560.00	209.00
Other income	70.50	379.50
Finance costs	<u>(78.00)</u>	<u>(100.50)</u>
Profit before tax	12,906.50	10,087.50
Tax	<u>(3,221.50)</u>	<u>(2,509.50)</u>
Profit for the year	9,685.00	7,578.00
Other comprehensive income	0	0
Total comprehensive income	9,685.00	7,578.00

### **Required:**

You are to prepare a common size statement of the company including your assessment of performance of the company over the period for presentation to the Director of Finance.

(8 marks)

(Total: 20 marks)

