

**THE OPEN UNIVERSITY OF TANZANIA  
FACULTY OF BUSINESS MANAGEMENT  
DEPARTMENT OF ACCOUNTING AND FINANCE**

**MBA DISTANCE 2008/09  
OFN 613: FINANCIAL MANAGEMENT  
TERM PAPER ASSIGNMENT**

### **1.0 TERM PAPER OBJECTIVES**

Term paper assignments in our MBA programme are designed to give you an opportunity to demonstrate how you can use the analytical and research skills learnt in the programme to analyse managerial problems, provide solutions and/or advise on potential courses of action. In addition, you will enjoy to explore a subject area in detail, gain a valuable experience in communicating your knowledge via a written word, and to enhance your grade.

### **2.0 OBJECTIVES OF THIS ASSIGNMENT**

This year, the topic is “Financial Statements Analysis” (*Topic 8 on your course outline*). You can study this topic from any standard text book in Financial Management or Corporate (Managerial) Finance. The main objective is to perform a complete financial analysis of a commercial company of your choice to establish the company’s financial performance and position as far as profitability, liquidity, assets utilization efficiency and gearing (leverage) are concerned.

### **3.0 THE ASSIGNMENT PROBLEM**

Collect at least two consecutive sets of most recent financial statements (*audited*) from a company/organisation of your choice. (*Two consecutive years or sets should give you three year data points*). Conduct a complete analysis of the selected company/organisation and write a brief, but to the point, report of your findings on the company’s financial performance and financial position as can be inferred from the information contained in the statement so analysed. Your report should follow the format suggested hereunder.

#### **3.1 Introduction**

Restate the main objective as in 2.0 above. Develop some specific objectives of the analysis, state the reasons for your choice of company or organisation, and provide a background to the company and the industry in which it operates. Background information is essential as it will guide you through the analysis and help to interpret the results. *This should include firm particulars, ownership ( e.g. private/public), industry sector, number of employees, products and trading volume, geographical coverage (including whether it has international operations), value of its assets (both book and market value if possible), capital structure of the firm (i.e. how much is debt and how much is equity), privatized? (when and how?) and any other information you may find necessary to guide and improve your analysis and interpretation.*

#### **3.2 Literature**

Explain here various aspects of financial statement analysis, i.e. what you know or what you learned from the literature about, for example, its applications and its usefulness in various aspects of business management. Explore also in the literature survey, challenges in applying them and in measuring various ratio components, in interpreting the resulting ratios, etc. Finally explain how you planned to overcome such challenges in your current analysis.

### **3.3 Methodology**

This should indicate how the assessment was carried out, the choices made on various issues and the reasons behind such choices. Any assumptions you made in the analysis should be explained. Further, any accounting policies and practices as well as any legal and regulatory issues that govern the sector or the disclosure of items included in your analysis should be stated in terms of the way they affect the outcome of your analysis.

### **3.4 The Analysis**

Select not more than eight ratios (two in each area), which you consider appropriate to reflect adequately the company's financial performance and financial position over the three years or more period in the areas of profitability liquidity, efficiency and gearing. Since there are several ratios under each category/area you will definitely have to make choices. Remember to justify such choices. Innovative ways of analysis and presentation will be awarded accordingly. Remember also to consider benchmark issues carefully here.

### **3.5 Findings and Discussions**

Provide a good summary of your findings and discuss them in terms of the performance of the company analysed. Can you explain any variations? Do the annual reports refer to any particular problems or future developments? Discuss any limitations and any other information (financial or non financial), which you think would have been helpful to your analysis. Comment on the financial performance and financial position of the company, drawing evidence from the analytical results. Are there any recommendations?

### **3.6 References**

This section provides you an opportunity to practice appropriate ways of writing references. There are several text books which provide guidance on this (e.g. Saunders, M.N.K., P. Lewis and A. Thornhill (2002) *Research Methods for Business Students*, Financial Times/ Prentice Hall, 3<sup>rd</sup> Edition; and many others).

### **3.7 Appendices**

Append all relevant workings and materials (e.g. financial statements to support your paper, your ratio calculations, etc). Number them in the order in which you refer to them in the text.

### **4.0 Other Guidelines to the Paper**

Must be well structured and to the point, typed, double-spaced (*Times New Roman*), font size 12, with seven (7) pages maximum excluding title page, references and any appendices.

All sources of authoritative statements must be acknowledged properly

The intelligent usage of tables, graphs, etc is highly encouraged (*and most certainly needed for a good paper*). You should number them in the order in which you refer to them in the text.

### **5.0 Paper Due Date**

The paper must be handed in **on or before 28<sup>th</sup> March 2009**. If you post the written assignment, you should allow time for it to reach the faculty before the stated deadline. (*Both time and feedback are precious, so strictly observe the deadline*).

## **6.0 Evaluation of the Paper**

The Paper will be graded for a clear order and evidence that you have researched the given topic to a sufficient degree. The paper carries 30 percent of your total course evaluation. Such weight means that you should give the assignments your best effort.