

041306T4BUS

BUSINESS MANAGEMENT LEVEL 6

BUS/OS/BM/CR/06/6

Manage Financial Operations

July/Aug 2023



**TVET CURRICULUM DEVELOPMENT, ASSESSMENT AND CERTIFICATION
COUNCIL (TVET CDACC)**

WRITTEN ASSESSMENT

Time: 3 hours

INSTRUCTIONS TO CANDIDATES

1. This paper has three sections **A**, **B** and **C**.
2. You are provided with a separate answer booklet.
3. Marks for each question are as indicated.
4. Do not write on the question paper.

This paper consists of FIVE (5) printed pages

**Candidates should check the question paper to ascertain that all
pages are printed as indicated and that no questions are missing**

SECTION A: (40 MARKS)

Answer all questions from this section.

1. Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements. Highlight **FOUR** limitations of ratio analysis in business. (4 marks)
2. Outline **FOUR** possible causes of Labour rate variance. (4 marks)
3. Control accounts provide a summary of transactions recorded in various subsidiary ledger. Highlight **FOUR** reasons for maintaining control accounts. (4 marks)
4. State **THREE** disadvantages of using a standard costing system. (3 marks)
5. When it comes to investments, there are several motives for holding assets. List **THREE** motives for holding cash by organizations. (3 marks)
6. Outline **FIVE** desirable characteristics of accounting reports. (5 marks)
7. Corporate governance encompasses the relationships among various stakeholders, including shareholders, the board of directors, management, employees, and other relevant parties. Highlight **FOUR** roles of corporate governance. (4 marks)
8. Audited financial statements refer to financial reports that have undergone an examination and verification process. List **FOUR** parties interested in an organization's audited financial statements. (4 marks)
9. State **FIVE** benefits of preparing budgets in a business. (5 marks)
10. One role on an accountant is to prepare and present financial reports to the management at the end of an accounting period. Outline **FOUR** objectives of financial reporting to a business enterprise. (4 marks)

SECTION B: (60 MARKS)**Candidate to answer any Three Questions from this section.**

11. The following is list of balances was extracted from the books of Mary following the preparation of her Statement of Comprehensive Income for the year ended 31 March 2022:

	Ksh.
Other payables (Accruals)	5,600
Other receivables (Pre-payments)	1,800
Net profit for the year ended 31 March 2022	35,900
Inventory at 31 March 2022	6,100
Trade payables	12,315
Mary's drawings	30,000
Trade receivables	25,960
Bank overdraft	4,175
Cash-in-hand	1,000
Motor vehicles – cost	24,000
Motor vehicles - accumulated depreciation	12,000
Fixtures and fittings – cost	16,000
Fixtures and fittings - accumulated depreciation	4,500
Bank loan	3,000
Mary's capital account at 1 April 2021	27,370

Required:

Prepare Mary's Statement of Financial Position as at 31 March 2022. (20 Marks)

12. The following information was extracted from a company's standard cost card. The material standard for one unit of product Z is 3 Kg at Sh. 5 per Kg. 14,000 Kg were used at a cost of Sh. 84,000 and 6,000 units were produced.

The standard rate per hour was Sh. 10 and the standard time per unit is 1.5 hours while the total time worked is 9,500 hours for Ksh.80,750.

Required:

Calculate,

- a) Material price variance (4 Marks)
- b) Material usage variance (4 Marks)
- c) Labour rate variance (4 Marks)
- d) Labour efficiency variance (4 Marks)
- e) Labour cost variance (4 Marks)

13.

- a) Explain **five** types of budget that can be used in business. (10 Marks)
- b) Discuss **five** limitations of relying solely on budgeting without considering long term financial strategies. (10 Marks)

14. ABC Ltd has extracted the following information from its final accounts for the year ended 31 March 2023:

	Ksh.
Sales	900,500
Stock at 1 April 2021	150,300
Purchases	600,720
Stock at 31 March 2022	75,645
Total expenses for year	110,500

Trade Payables	175,000
Bank Balance	50,000
Trade Receivables	145,000

Required:

- a) Gross profit margin (4 Marks)
- b) Mark-up (4 Marks)
- c) Net profit margin (4 Marks)
- d) Current ratio (4 Marks)
- e) Liquidity (acid test) ratio (4 Marks)