

**041306T4BUS**

**BUSINESS MANAGEMENT LEVEL 6.**

**BUS/OS/BM/CR/05/6/A**

**MANAGE BUSINESS ASSETS AND LIABILITIES**

**Nov/Dec 2023**



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

**WRITTEN ASSESSMENT**

**Time: 3 Hours**

**INSTRUCTIONS TO CANDIDATES**

1. This paper has **TWO** sections **A** and **B**.
2. You are provided with a separate answer booklet.
3. Marks for each question are indicated in the brackets ( ).
4. Do not write on the question paper.

*This paper consists of FOUR (4) 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 in this section*

- 1) The International Accounting Standards (IAS) were a set 1973 to 2001. These standards were used as a global framework for the preparation and presentation of financial statements. Highlight **three** international accounting standards. (3 marks)
- 2) An organization has introduced budgetary controls. Outline **five** objectives they may achieve. (5 marks)
- 3) Financial reporting involves the communication of an organization's financial performance and position to internal and external stakeholders. State **three** importance of reporting financial statements of an organization. (3 marks)
- 4) A fixed asset is a tangible asset that a business owns and uses to produce its goods and services. Highlight **four** types of information contained in Assets and liability register. (4 marks)
- 5) Financial control encompasses the methods and guidelines an organization employs to efficiently manage its finances, maintain financial responsibility, and attain its financial goals. Outline **five** financial control methods used in managing assets and liabilities in an organization. (5 marks)
- 6) The financial statements of Johari limited have a very high provision for depreciation. List **four** causes of depreciation on fixed assets. (4 marks)
- 7) You are in the process of preparing a statement of financial position. Highlight **four** types of fixed assets that you may include. (4 marks)
- 8) The internal control systems are integrated based on policies and procedures used in developing assets and liability. Outline **three** such internal control systems. (3 marks)
- 9) Capital investment, involves allocation of financial resources to acquire long-term assets and projects. Explain **five** factors to consider in selecting capital investment as per strategic plan. (5 marks)
- 10) The Asset and Liability Management process rests on four pillars. Outline **four** such pillars. (4 marks)

**SECTION B (60 MARKS)**

**Answer any THREE questions in this section**

**Maximum marks for each question is 20.**

11) A company is considering two machines L & M. Each of these machines will cost the company Kshs. 200,000 to purchase and each has an estimated economic life of 10 years after which there will be no residual values. The two machines are expected to generate profits as follows.

Year	Machine 'L'	Machine 'M'
1	40,000	60,000
2	50,000	40,000
3	30,000	50,000
4	10,000	30,000
5	20,000	20,000
6	30,000	18,000
7	15,000	14,000
8	10,000	8,000
9	5,000	3,000
10	30,000	30,000

**Required**

a) Using Accounting Rate of Return, justify the machine that should be purchased. (12 mark)

(b) Explain **four** users of an Audited financial statements of an organization. (8 marks)

12) The expenses budgeted for production of 10,000 units in a factory is furnished below:

	Per unit Ksh.
Material	70
Labour	25
Variable overheads	20
Fixed overheads (100,000)	10

Variable expenses (Direct)	5
Selling expenses (10% fixed)	13
Administration expenses (50,000)	5
Distribution expenses (20% fixed)	7
<b>TOTAL</b>	<b>155</b>

- a) Prepare a budget for the production of (a) 8,000 units and (b) 6,000 units, for the year ended 31st Dec. 2018. Assume that administration expenses are rigid for all level of production. (12 marks)
- b) A manager is expected to make a number of decisions. Explain **four** factors to consider when making financial decision. (8 marks)

13)

- a) John started business with Ks. 100,000 as. He later purchased new printing machine by taking a bank loan of Ks. 20,000. The Rent paid was Ks. 5,000 while received Commission of Ks. 10,000. For personal use he Withdrew Ks. 5,000

Using the Accounting rules on the basis of equation. Calculate;

- i. Assets.
  - ii. Liability.
  - iii. Capital.
  - iv. Income.
  - v. Expenses. (10 marks)
- b) The success of an audit is dependent on documentation available. Explain **five** types of documents used in financial audit of an organization. (10 marks)

14)

- a) Capital is the lifeblood of any organization, and it can be categorized into long-term and short-term sources based on the time frame for which the funds are obtained and used. Discuss **five** long terms sources of capital for the business. (10 marks)
- b) Effective internal control systems help in safeguarding the organization's resources, ensure compliance with regulations, and reduce the risk of errors and fraud. Explain **four** types of internal control systems commonly put in place to manage assets and liabilities. (10 marks)