

041306T4BUS

BUSINESS MANAGER LEVEL 6

BUS/OS/BM/CR/05/6

Manage Business Assets and Liabilities

July/August 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 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 in this section in the answer booklet provided.

1. Non-current assets are resources owned by a company that are expected to provide economic benefits over a period of time exceeding one year. Name **four** non-current assets. (4 marks)
2. The accountant of Bestservices designs has realized that his balance sheet has been affected by depreciation of the motor vehicle that was recently disposed. Outline **four** ways in which depreciation affects his balance sheet. (4 marks)
3. An internal control system refers to the policies, procedures, and practices established within an organization to ensure the achievement of its objectives, safeguard its assets, and mitigate risks. List **three** internal control system (3 marks)
4. Inventory can take various forms depending on the nature of the business Outline **three** types of inventory. (3 marks)
5. The management of New hope ltd, is in the process of preparing their assets and liabilities. As a consultant, list **three** liabilities they may need to analyze. (3 mark)
6. Intangibles refer to assets that lack physical substance but hold value for a business or individual. Name **three** intangible assets in a business organization. (3 marks)
7. Identify **four** modern methods of capital investment evaluation. (4 marks)
8. List **three** methods of depreciating assets. (3 marks)
9. Asset control involves monitoring and managing the organization's assets to ensure their accuracy, security, and optimal utilization. Name **three** documents used in assets and liabilities control. (3 marks)
10. A firm bought a machine costing Ksh 160,000. The machine is expected to have a useful life life of four years and scrap value of Ksh 40,000 determine the annual amount of depreciation. (2 marks)
11. Outline **four** components of internal control. (4 marks)

12. Outline **four** shortcomings that a company may accrue by implementing non-effective internal control systems in an organization's financial operations and asset protection.

(4 marks)

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SECTION B (60 MARKS)*Answer any three questions from this section*

13.

You have been tasked with the responsibility of ensuring that the organization's you work for have got a good internal control system.

Required:

- a. Explain **five** importance of internal control system ICS. (10 marks)
- b. Discuss five internal control procedures that organizations commonly implement to safeguard assets, ensure accurate financial reporting, and promote operation. (10 marks)

14.

- a) Explain **four** content of asset register in an organization (8 marks)
- b) Mr Wakio have identified two investment opportunity investment A and investment B each investment requires initial capital of Ksh 1,000,000 and the investment will generate cashflows as follows

Year	Investment A Cashflow (Ksh)	Investment B Cashflow (Ksh)
1	200,000	200,000
2	390,000	400,000
3	300,000	330,000
4	330,000	540,000

The cost of capital is 10%

Required: Determine the Net present value (NPV) of each investment (12 marks)

15. A) Explain **five** ways of ensuring control of assets in an organization. (10 marks)
- b) Discuss **five** ways of internal control in cash control. (10 marks)

16.

- a) Mrs. Oluchi intends to buy a machine for production of yoghurt in her dairy business she have identify **two** types of machines M1 & M2 the following date relates to the two machines

	M1	M2
Initial cost	700,000	1,000,000
Year	Cashflow (Ksh)	Cashflow (Ksh)
1	200,000	350,000
2	300,000	450,000
3	350,000	100,000
4	120,000	130,000

Required:

- i. Determine the payback period (10 marks)
- ii. Advise the her on the Machine to Buy (2 marks)

b) Ben has a business that has been trading for some time. You are given the following information as at 31.12.2022

Buildings	11,000
Furniture & Fittings	5,500
Motor Vehicles	5,800
Stocks	8,500
Debtor	5,600
Cash a bank	1,500
Cash in hand	400
Creditors	2,500
Capital	30,800
Loan	5,000

You are required to prepare a statement of financial you position as at 31 December 2022

(8 marks)