



THE KENYA NATIONAL EXAMINATIONS COUNCIL

Qualification Code : 041306T4BUS
Qualification : Business Manager Level 6
Unit Code : BUS/BM/CR/6/6
Unit of Competency : Manage Financial Operations

WRITTEN ASSESSMENT

INSTRUCTIONS TO CANDIDATE

- i. Time allocated: **THREE Hours**.
- ii. This paper has two sections **A and B**.
- iii. You are provided with a separate answer booklet.
- iv. Marks for each question are indicated in the brackets.
- v. 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 in this section

1. Define the term **corporate governance**. (2marks)
2. State the relationship between a budget and a strategic plan (3marks)
3. There are key concepts underpinning good corporate governance in an organization. Highlight **four** core concepts of corporate governance. (4marks)
4. Otieno's Copy Shop bought equipment for Shs 240,000 on January 1, 2018. Otieno estimated the useful life to be 3 years with no salvage value, and the straight-line method of depreciation will be used. On January 1, 2019, Otieno decides that the business will use the equipment for a total of 5 years. What is the revised depreciation expense for 2019? (4marks)
5. Financial statements are prepared at the end of each financial year. Highlight **four** users of these financial statements (4marks)
6. Many investors consider the cash flow statement as the most important indicator of a company's financial performance. State **three** components of the cash flow statement (3marks)
7. Companies are entities created by the law and are required to be managed by a board of directors. Highlight **four** circumstances that could lead to the disqualification of a director. (4marks)
8. There are firms which besides offering ordinary shares still float preference shares. State **four** disadvantages of preference shares. (4marks)
9. Highlight the relationship between **risk management** and **corporate governance** (2marks)
10. Control procedures are enforced to ensure efficient conduct of the company's business. List **four** control guidelines commonly used in organisations. (4marks)
11. Budgets are financial plans and very useful in an organisation. Outline **three** objectives that budgets aim to achieve (3marks)
12. A recent survey has indicated that most firms use payback period in their capital investment decisions. State **three** advantages of using this method. (3marks)
13. Companies can access finance from different sources to fund their operations. Name **four** sources of finance. (4marks)
14. Explain one reason why when calculating the quick ratio, stock is removed from the current assets. (2marks)
15. List three factors that one should consider when selecting capital investments for a business.

(3marks)

SECTION B: (60 MARKS)*Answer any THREE questions in this section.*

16. Shepetu Ltd are manufacturers of canned foods. In the year 2010 they floated their shares at the Nairobi Security exchange. The public welcomed the idea overwhelmingly and Shepetu Ltd ended up with an oversubscription in their shares. Atieno had subscribed for 5,000 shares and was only assigned 2,500 shares; she later got a refund of her money.

In the year 2018 the company embarked on a serious campaign of buying back the shares and to-date Shepetu has managed to buy back 40% of the shares they had initially subscribed.

- i) What benefits is Atieno likely to derive from buying these shares. (4marks)
- ii) Why did the company repurchase the ordinary shares? (6marks)
- iii) Why were Shepetu's shares oversubscribed (6marks)
- iv) Highlight four disadvantages of ordinary shares (4marks)

17. a) The following is a table showing the budgeted figures and the actual figures for sales revenue and the cost. Calculate the variance and indicate whether it's favorable (F) or unfavorable(U) (4marks)

Item	Bud get	Actual	Variation	
	Shs, 000	Shs 000	Shs 000	
SALES REVENUE				
Standard product	75	90		
Premium product	30	25		

Total sales revenue	105	115		
COSTS				
Wages	35	38		
Marketing	20	14		
Other overheads	27	35		
Total costs	82	87		
Profit	23	28		

- b) Name **four** causes of material variance (4marks)
- c) State the **four** reasons for overheads variance (4marks)
- d) Explain the various types of budgets that a business entity can prepare (8marks)

18. The following trial balance was extracted from the books of Apex Traders as at 30th June 2015

	DR Shs	CR shs
Premises	1,500,000	
Debtors	20,000	
Creditors		30,000
Bank	90,000	
Cash	10,000	
Purchases	140,000	
Sales		320,000
Stock	45,000	
Discount allowed	6,000	
Discount received		2,000
Salaries	50,000	
Commission received		8,000
Power	12,000	
Return inwards	15,000	
Return outwards		19,000
Carriage inwards	5,400	
Carriage outwards	2,300	
Capital		1,543,700
Furniture	<u>27,000</u>	
	1,922,700	1,922,700

Additional information

Stock of goods on 30th June 2015 was worth shs 22,000

Required.

- i) Prepare the trading profit and loss account (12marks)
- ii) Prepare a balance as at that date. (8marks)

19.a) The following information relates to Morale Retailers for the month of July 2015:

Sales - Ksh 50,000

Cost of sales - Ksh 40,000

Average stock - Ksh 20,000

Expenses were - 5% of sales

Calculate:

- i. Mark-up (2marks)
 - ii. Margin (2 marks)
 - iii. Total expenses (2 marks)
 - iv. Net profit (2 marks)
 - v. Rate of stock turnover (2marks)
- b) Highlight the importance of financial ratios. (5 marks)
- c) List five factors affecting working capital (5marks)

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