



## THE KENYA NATIONAL EXAMINATIONS COUNCIL

**Qualification Code** : 041306T4BUS  
**Qualification** : Business Management Level 6  
**Unit Code** : BUS/BM/CR/06/6  
**Unit of Competency** : Manage Financial Operations

### WRITTEN ASSESSMENT

#### INSTRUCTIONS TO CANDIDATE

- (i) Time allocated: **THREE (3) hours**.
- (ii) Marks for each question are indicated in the brackets.
- (iii) The paper consists of **TWO** sections: **A** and **B**.
- (iv) Do not write on the question paper.
- (v) A separate answer booklet will be provided.

*This paper consists of **FOUR (4) printed pages**.*

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

**SECTION A: (40 MARKS)**

*Answer all questions from this section.*

1. Highlight **three** reasons why a firm may hold cash. (3 marks)
2. List **four** parties interested in accounting information (4 marks)
3. State **three** disadvantages of installing a standard cost accounting system.in a business (3 marks)
4. Enumerate **four** causes of labour rate variance. (4 marks)
5. Highlight **four** desirable characteristics of accounting reports. (4 marks)
6. Identify **four** benefits a business may derive from preparing budgets. (4 marks)
7. Outline **four** objectives of financial reporting to a business enterprise (4 Marks)
8. Highlight **four** roles of corporate governance in a business enterprise (4 Marks)
9. Outline **four** limitations of using financial ratios to analyse the financial performance of a business (4 Marks)
10. State **four** benefits a firm may derive from maintaining control accounts (4 Marks)
11. State **two** type of audit that may be carried out in an organization (2 marks)

**SECTION B: (60 MARKS)**

*Answer any three questions in this section.*

12. The following information was extracted from the standard cost card of Alim Limited which manufactures product z.

Material cost 3 Kgs at Sh. 5 per Kg.

Direct labour 1.5 hours at Ksh 10 per hour

During the period

Units produced 6,000units

Material cost(14000kgs) ksh 84000

Labour cost (9,500hrs) 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. The following information relates to Kings Limited for the year ended 31 December,2022:

	<b>Ksh.</b>
Sales	900,500
Stock at 1 January 2022	150,300
Purchases	600,720
Stock at 31 December 2022	75,645
Total expenses for year	110,500
Trade Payables	175,000
Bank Balance	50,000
Trade Receivables	145,000

**calculate:**

- a. Gross profit margin (4 marks)
- b. Gross profit Mark-up (4 marks)
- c. Net profit margin (4 marks)

d. Current ratio (4 marks)

e. Acid test ratio (4 marks)

14. The following balances were extracted from the books of account of Manda traders as at 31<sup>st</sup> December 2022:

	<b>Ksh.</b>
Accrued wages	5,600
Pre-paid insurance	1,800
Net profit for the year ended 31 December, 2022	35,900
Inventory as at 31 December, 2022	6,100
Accounts payables	12,315
Drawings	30,000
Account receivables	25,960
Bank overdraft	4,175
Cash-in-hand	1,000
Motor vehicles at cost	24,000
Accumulated depreciation of motor vehicles on 31 December 2022	12,000
Fixtures and fittings at cost	16,000
accumulated depreciation on fixtures and fittings on 31 December 2022	4,500
Bank loan	3,000
Capital as at 1 January 2021	27,370

**Required:**

Prepare statement of financial position as at 31 December 2022. (20 Marks)

15. Describe each of following type of budgets and state the circumstance under which each may be used

a. Fixed budget. (5 Marks)

b. Flexible budget. (5 Marks)

c. Rolling budget. (5 Marks)

d. Zero based budget. (5 Marks)

**THIS IS THE LAST PRINTED PAGE**