

FRIDAY: 18th February 2022

Time Allowed: 3 Hours

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- a) Identify FIVE factors that contribute to whole-life costs. (5marks)
- b) Describe THREE ways of disposing assets. (6marks)
- c) Outline FOUR limitations of cost-volume profit. (4marks)
- d) Highlight FIVE roles of asset managers in organizations. (5marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- a) Discuss FIVE factors to consider before disposal of assets. (10marks)
- b) Explain FIVE objectives of public policy on asset and liability management in Kenya. (10marks)

(Total: 20 marks)

QUESTION THREE

- a) Highlight the disadvantages of leasing contracts. (5marks)
- b) Describe the concept of total productive maintenance and highlight its principles. (5marks)
- a) Contrast between hard capital rationing and soft capital rationing. (6marks)
- b) List FOUR examples of disposal which may involve environmental risk. (4marks)

(Total:20 marks)

SECTION C

QUESTION FOUR

- a) The standard cost information for Thorn Limited for a single product shows that the standard direct material to be 4 litres at Sh. 3 per litre.
Actual results for May 2021 were:
Production 1,270 units
Materials Used 5,000 litres at a cost of Sh. 16,000.

Required:

- i) Compute the material price variance. (4marks)
- ii) Compute the material usage variance in terms of litres and shillings. (6marks)
- b) Describe FIVE steps in budgetary process. (10marks)



- c) Kibera Tyres is in the business of manufacturing toy tyres, thereafter sells them. In the last quarter it produced 100,000 toy tyres which they sold at Sh. 600 each. Variable cost per tyre was Sh. 350. If the firm incurred fixed costs amounting to Sh. 15,000,000 in the period,

Compute:

- i) Break-even point in units and sales. (5marks)
- ii) Supposing that the firm intended to make an after-tax profit of Sh. 25,000,000, determine the level of output required if the tax rate is 30%. (5marks)
- d) Distinguish between discounted price and promotional price. (4marks)
- e) List SIX items that would be included in an asset register. (6marks)

(Total:40 marks)

