



ASSOCIATE IN PROCUREMENT AND SUPPLY (APS)

LEVEL III

ASSET MANAGEMENT, COSTING AND BUDGETING



WEDNESDAY: 3 August 2022. Afternoon paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

SECTION A

QUESTION ONE

- (a) Identify FIVE reasons for asset valuation. (5 marks)
- (b) Enumerate FIVE factors to consider when deciding on an asset disposal method. (5 marks)
- (c) State FIVE departmental budgets that a manufacturing entity should prepare. (5 marks)
- (d) Outline FIVE challenges faced by procurement professionals during costing and budgeting. (5 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Describe FIVE kinds of information contained in an organisation's fixed asset register. (10 marks)
- (b) Identify FIVE features of standard costing. (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Explain FIVE circumstances under which an organisation may prefer buying to making a product. (10 marks)
- (b) Describe the procedure followed by a procuring entity in disposing off its obsolete or unserviceable assets. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

- (a) Explain FIVE reasons why a firm need to have an asset management policy in place. (10 marks)
- (b) Highlight FIVE factors that contribute to the whole life costs of an asset. (10 marks)
- (c) Outline FOUR roles of an asset manager in an organisation. (8 marks)
- (d) The following data was extracted from the books of account of KIKOTO Ltd for the year ended 31 March 2022.

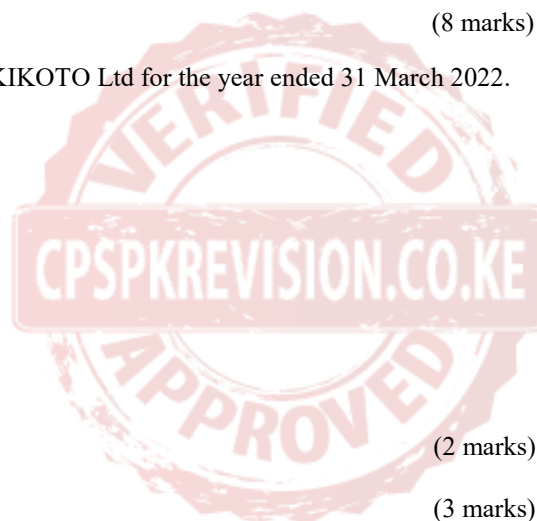
	Sh. "000"
Sales	24,000
Less total cost	<u>20,000</u>
Net profit	<u>4,000</u>

Fixed cost account for 40% of the total cost

Required:

Determine:

- (i) Margin of safety. (2 marks)
- (ii) Break-even point in sales. (3 marks)



(iii) Sales to earn a profit of Sh.6,000,000. (3 marks)

(iv) In order to increase sales, the management has the following options:  
I To increase sales by 25% by incurring a cost of Sh.2,500,000 on sales promotion  
II To reduce the selling price by 5% thereby increasing sales by 15%

Advise the management on the viable option. (4 marks)

**(Total: 40 marks)**

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