



ASSOCIATE IN PROCUREMENT AND SUPPLY (APS)

LEVEL III

FINANCE IN SUPPLY CHAINS



TUESDAY: 2 August 2022. Morning 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) Define the following terms as used in finance in supply chains:
    - (i) Profit maximisation. (2 marks)
    - (ii) Capital budgeting. (2 marks)
  - (b) Outline THREE factors to consider when choosing a source of finance for a business. (6 marks)
  - (c) Identify FIVE factors considered before making long-term investment decisions in an organisation. (5 marks)
  - (d) Highlight FIVE decisions that may be made by finance and accounting managers. (5 marks)
- (Total: 20 marks)**

SECTION B

QUESTION TWO

- (a) Describe FIVE causes of foreign exchange rate fluctuation. (10 marks)
  - (b) Outline FIVE benefits a procuring entity derives from a good relationship with a commercial bank. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain FIVE limitations of holding huge working capital. (10 marks)
  - (b) Describe FIVE main goals of microfinance banking institutions. (10 marks)
- (Total: 20 marks)**

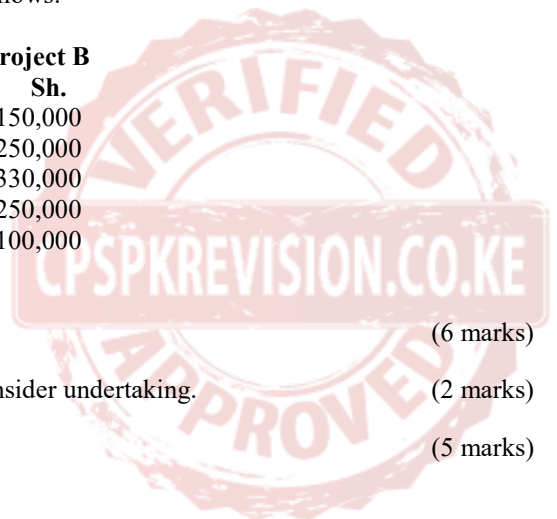
QUESTION FOUR

- (a) Upanda Ltd. is considering investing in two mutually exclusive projects A and B with initial capital outlay of Sh.1,000,000 each. The expected after tax cash inflows are as follows:

|      |     | Project A | Project B |
|------|-----|-----------|-----------|
|      |     | Sh.       | Sh.       |
| Year | I   | 300,000   | 150,000   |
|      | II  | 200,000   | 250,000   |
|      | III | 250,000   | 330,000   |
|      | IV  | 200,000   | 250,000   |
|      | V   | 120,000   | 100,000   |

Required:

- (i) Calculate the payback period for each project. (6 marks)
  - (ii) State, with a reason, the project Upanda Ltd. should consider undertaking. (2 marks)
- (b) State FIVE importance of ratio analysis. (5 marks)



(c) The following information was extracted from the books of accounts of Bidii Company Limited:

|                            | <b>Sh.</b> |
|----------------------------|------------|
| Sales                      | 827,000    |
| Cost of sales              | 661,600    |
| Number of shares           | 46,000     |
| Net market value per share | 49.90      |
| Net profit after tax       | 38,200     |
| Closing debtors            | 122,170    |
| Cash/bank balance          | 72,000     |
| Current liabilities        | 49,920     |
| Closing stock              | 98,600     |
| Average debtors            | 803,200    |

**Additional information:**

All the sales are on credit.

**Required:**

Compute:

- (i) Gross profit. (2 marks)
  - (ii) Earning per share. (2 marks)
  - (iii) Earning yield. (2 marks)
  - (iv) Net profit. (2 marks)
  - (v) Current ratio. (2 marks)
  - (vi) Acid test ratio. (2 marks)
  - (vii) Debtors turnover. (2 marks)
- (d) Outline THREE objectives of financial statement analysis. (3 marks)
- (e) Explain FIVE benefits of budgeting to a manufacturing entity. (10 marks)

**(Total: 40 marks)**

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