

WEDNESDAY: 7 December 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) Explain the following terms as used in asset management.
- i. Asset lifecycle (2 marks)
 - ii. Capital rationing (2 marks)
 - iii. Asset decommissioning (2 marks)
- (b) State FIVE reasons most organisations undertake asset disposal (5 marks)
- (c) Outline FIVE advantages of buying an asset as opposed to manufacturing it within the organization. (5 marks)
- (d) Highlight FOUR benefits of an effective asset management policy and procedures to a company. (4 marks)

(Total: 20 marks)

SECTION B

QUESTION TWO

- (a) Outline FIVE benefits of establishing an efficient asset management system in an organization. (10 marks)
- (b) Explain FIVE contents of an asset management plan (10 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Highlight FIVE measures an organization may put in place to deal with aging assets. (10 marks)
- (b) Identify FIVE advantages of budgeting in an organization. (10 marks)

(Total: 20 marks)

SECTION C

QUESTION FOUR

- (a) Outline FIVE asset valuation concepts that can be utilized in asset management. (5 marks)
- (b) A company manufactures two products A and B whose components are X and Y respectively. The budget for the products and their components is as follows;



Product	Budget sales	
	Quantity	Price (sh)
X	30,000	120
Y	24,000	90
Materials used		
	A	B
Unit costs (sh)	15	24
Quantity used	A	B
X	20	6
Y	8	10

At the beginning of the year, there was a stock of 1,500 units of X and 500 units of Y while at the end of the same year, 2000 units of X and 1500 units of Y were in store.

Required:

Prepare;

- i. Sales budget (3 marks)
 - ii. Production budget (3 marks)
 - iii. Material usage budget (3 marks)
 - iv. Material purchase budget (3 marks)
- (c) Highlight FIVE advantages of leasing assets. (5 marks)
- (d) The standard materials required to manufacture a unit of product X is 10kg and the standard price per kilogram of the material is sh. 2.50. The cost account records, however, reveal that 11,500 kg of materials costing sh. 25,000 were used for manufacturing 1,000 units of product X

Required:

Compute;

- i. Material cost variance (4 marks)
 - ii. Material price variance (4 marks)
 - iii. Material usage variance (4 marks)
- (e) Explain SIX advantages a firm gets from adopting modern technologies in asset management. (6 marks)

(Total: 40 marks)

