

WEDNESDAY: 23 April 2025. 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 and managerial accounting:
- (i) Asset impairment. (2 marks)
 - (ii) Depreciation methods. (2 marks)
 - (iii) Residual value. (2 marks)
- (b) Outline **FIVE** key factors that influence the valuation of tangible assets. (5 marks)
- (c) Highlight **FIVE** differences between an operating lease and a finance lease. (5 marks)
- (d) Explain **FOUR** roles of capital budgeting techniques in asset acquisition decisions. (4 marks)
- (Total: 20 marks)**

SECTION B

QUESTION TWO

- (a) Describe **FIVE** asset performance measurement metrics in asset management. (10 marks)
- (b) Examine **FIVE** ways organisations can ensure compliance with International Financial Reporting Standards (IFRS) in asset management. (10 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Explain **FIVE** reasons why replacement analysis is critical in asset management. (5 marks)
- (b) A company manufactures four products and the following cost data is provided:

Product	W	X	Y	Z
Production units	1,000	2,000	4,000	3,000
Unit marginal cost:	Sh.	Sh.	Sh.	Sh.
Direct material	4	5	2	4
Direct labour	8	9	4	6
Volume overhead	2	3	1	2
Total variable cost	14	17	7	12

The total fixed costs per annum allocated to each product are:

Product	Fixed cost (Sh.)
W	1,000
X	5,000
Y	6,000
Z	8,000

A subcontractor has offered to supply W, X, Y and Z units at Sh.12, Sh.21, Sh.10 and Sh.14, respectively.

Required:

Advise management on which components the company should make and which it should buy based on cost analysis. (8 marks)

- (c) Highlight **FOUR** ways an asset may be disposed of. (4 marks)
- (d) Explain **THREE** advantages of using the first-in, first-out (FIFO) method in inventory valuation. (3 marks)
- (Total: 20 marks)**

SECTION C**QUESTION FOUR**

- (a) Zawadi Ltd. has extracted the following financial data for the year ending 31 March 2023:

Production and sales	Units
Production	30,000
Sales	24,000
Cost Components:	Sh.
Direct material	7,200,000
Direct labour	1,800,000
Variable overhead	1,500,000
Fixed overhead	2,700,000
Selling and administrative costs:	
Wages and salaries	450,000
Variable sale commission	300,000
Promotion and advertising	480,000
Other fixed costs	720,000

The unit selling price is Sh.550.

Required:

- (i) Prepare a profit and loss statement using the absorption approach. (4 marks)
- (ii) Use the marginal costing approach to prepare a profit and loss statement. (4 marks)
- (iii) Explain the difference in profit or loss between (i) and (ii) above. (2 marks)
- (b) During March 2023, 1,000 units of output were produced using 6200 metres of steel. The material (Part No. 66) was purchased at Sh.595 per metre, while the standard cost per Part No. 66 is 7 metres per unit at Sh.910 per metre.

Required:

Calculate the following:

- (i) Material cost variance. (3 marks)
- (ii) Material price variance. (3 marks)
- (iii) Material usage variance. (3 marks)
- (c) Analyse **FIVE** risks associated with asset leasing. (10 marks)
- (d) Describe **THREE** ways blockchain technology is transforming asset management practices. (3 marks)
- (e) Ndanu, a procurement officer, has been requested to make a presentation on the budgeting process. Highlight **EIGHT** key stages of the budgeting process that she should emphasise in her presentation. (8 marks)
- (Total: 40 marks)**
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