PAC INSTITUTE OF TECHNOLOGY AND SOCIAL STUDIES
JANUARY – APRIL 2025 ASSESSMENT

FORMATIVE ASSESSMENT

Qualification Code	: **041306T4BUS**
Qualification	: **Business Management Level 6**
Code	: **BUS/OS/BM/CR/06/6/A**
Unit of Competency	: **MANAGE FINANCIAL OPERATIONS**

TIME: 3 HOURS

INSTRUCTIONS TO THE CANDIDATE:

1. Read all the instructions carefully before attempting the questions.
2. You are allowed 2 Hours to Answer the questions.
3. Marks for each question are indicated in brackets.
4. Write your responses in the Separate Answer booklet provided.
5. Do not write anything on this question paper.
6. Attempt all questions in Section A and any Three questions in Section B.

SECTION A - 40 MARKS

(Instructions: Attempt All Questions In This Section)

1. Project selection techniques are methods and approaches that organizations use to evaluate, prioritize, and choose among various projects. State **FOUR** advantages of using payback period method in project selection. (4 Marks)
2. Identify **FOUR** causes for Material Price Variance (4 Marks)
3. Highlight **FOUR** non-financial goals a firm may pursue to enhance its long-term success and sustainability. (4 Marks)
4. Financial reports are essential reports that provide an overview of a company's financial performance and position. Outline **FOUR** types of Financial Statements a finance manager may prepare. (4 Marks)
5. Organization's financial plan acts as a roadmap for managing the organization's finances and achieving its objectives. Highlight **FOUR** components of a financial plan. (4 Marks)
6. Outline **FOUR** factors affecting the selection of financing activities. (4 Marks)
7. One role on an accountant is to prepare and present financial reports to the management at the end of an accounting period. Outline **FOUR** objectives of financial reporting to a business enterprise. (4 Marks)
8. Budgets are financial plans and very useful in an organisation. Outline four objectives that budgets aim to achieve (4 marks)
9. State **FOUR** importance of working capital management. (4 Marks)
10. Companies can access finance from different sources to fund their operations. Outline **FOUR** sources of finance. (4marks)

SECTION B - 60 MARKS

(Instructions: Attempt Any Three Questions In This Section)

11. A) It is a common procedure for an organization to use Financial Ratios in their financial operations. Outline **FIVE** limitations of using financial ratios to analyse the financial performance of a business (10 Marks)

    B) A good financial report is essential for it to meet its objective. Explain **FIVE** characteristics of a good financial report (10 Marks)

12. A) Budgets are financial plans and very useful in an organisation. Explain **FIVE** types of budget that can be used in business. (10 Marks)

    B) Companies are entities created by the law and are required to be managed by a board of directors. Explain **FIVE** circumstances that could lead to the disqualification of a director. (10 Marks)

13. The following information was extracted from a company's standard cost card. The material standard for one unit of product Z is 3 Kg at Sh. 5 per Kg. 14,000 Kg were used at a cost of Sh. 84,000 and 6,000 units were produced. The standard rate per hour was Sh. 10 and the standard time per unit is 1.5 hours while the total time worked is 9,500 hours for Ksh.80, 750.

Required: Calculate,

a) Material price variance. (4 Marks)

b) Material usage variance. (4 Marks)

c) Labour rate variance. (4 Marks)

d) Labour efficiency variance. (4 Marks)

e) Labour cost variance. (4 Marks)

14. The following trial balance was extracted from the books of apex traders as at 30th June 2024.

Details	DR(Kshs)	CR (Kshs)
Premises	1500000	
Debtors	20000	
Creditors		30000
Bank	90000	
Cash	10000	
Purchases	140000	
Sales		320000
Stock	45000	
Discount Allowed	6000	
Discount Received		2000
Salaries	50000	
Commission Received		8000
Power	12000	
Return Inwards	15000	
Return Outwards		19000
Carriage Inwards	5400	
Carriage Outwards	2300	
Capital		1543700
Furniture	27000	
Total	1922700	1922700

Additional information

- Stock of goods on 30th June 2015 was worth shs 22,000

Required.

I. Prepare Statement of comprehensive Income. (10 Marks)

II. Prepare statement of financial position. (10 marks)