

2902/304

3179

**FINANCIAL ASPECTS OF MARKETING**

November 2018

Time: 3 hours



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

**DIPLOMA IN SALES AND MARKETING**

**MODULE III**

**BUSINESS EDUCATION SINGLE AND GROUP CERTIFICATE**

**EXAMINATIONS**

**STAGE III**

**FINANCIAL ASPECTS OF MARKETING**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of SEVEN questions.*

*Answer any FIVE questions in the answer booklet provided.*

*All questions carry equal marks.*

*Candidates should answer the questions in English.*

**This paper consists of 6 printed pages.**

**Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**

- 1/ (a) The following trial balance was obtained from the books of account of Twiga Enterprises as at 30 September, 2016:

	Dr Ksh	Cr Ksh
Capital		500,000
General expenses	270,000	
Cash in hand	57,000	
Insurance	18,000	
Inventory (1 October 2016)	46,000	
Accounts payable		420,000
Accounts receivable	360,000	
Sales		1,200,000
Motor vehicles	840,000	
5 year bank loan		150,000
Purchases	466,000	
Furniture	150,000	
Lighting	23,000	
Drawing	40,000	
	<u>2,270,000</u>	<u>2,270,000</u>

Inventory as at 30 September 2017 was valued at Ksh 54,600.

Prepare:

- (i) income statement for the year ended 30 September 2017.
- (ii) statement of financial position as at September 2017.

(12 marks)

- (b) The following information relates to stock DKY of medco Traders for the month of July, 2017.

2017

July	1	Balance brought forward 800 units valued at Ksh 25 each.
	4	Received 1,000 units valued at Ksh 30 each.
	8	Issued 600 units.
	14	Received 1,250 units at Ksh 45 each.
	21	Issued 1,200 units.
	24	Issued 1,200 units.
	28	Received 1500 units at Ksh 55 each.
	30	Issued 900 units.

Using First In First Out (FIFO) method of stock valuation. Prepare a stores ledger card. (8 marks)

2/ (a) Explain four advantages of using time rate in determining labour remuneration. (8 marks)

(b) Ndarua Limited plans to invest Ksh 2,000,000 in either project DX or project YZ. Expected cash inflows for the first four years are as follows:

Years	DX Ksh	YZ Ksh
1	800,000	600,000
2	725,000	750,000
3	600,000	800,000
4	550,000	900,000
Scrap value	-	150,000

The expected return on capital for each project is 12%.

- (i) Determine the Net Present Value (NPV) of each project.
- (ii) Using the result in (i) above, advise the management on the project to invest in. (12 marks)

3/ (a) Explain four limitations of using ratios to analyse financial statements of an organisation. (8 marks)

It may not bring the correct result to the organisation  
is too long for the financial department.

Ratio  
- 11  
21

$$b = \frac{10000 - 1000}{10000 - 10000}$$

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$$a) = \frac{10000 + 1000}{10000}$$

(b) Taka Limited has analysed factory overheads for the year ended 31 December 2017 as follows:

I	Overheads:	Ksh
	Production departments	
	- Machines	1,200,000
	- Assembly	800,000
	Service departments	
	- Power generation	400,000
	- Canteen	200,000
II	Number of employees:	
	Department	Number of employees
	Machine	250
	Assembly	150
	Power generation	100
	Canteen	
III	Electricity consumed:	
	Department	Kilowatt hours
	Machine	270
	Assembly	75
	Canteen	55
	Power generation	4

Additional information:

- (i) Canteen overheads are to be apportioned on the basis of number of employees.
- (ii) Power generation overheads are to be apportioned on the basis of electricity consumed.

Using the repeated distribution method, apportion the canteen and power generation overheads. (12 marks)



(a) Explain four circumstances under which a firm would prefer using retained earnings to finance its operations. (8 marks)

20

250  
150  
100

380  
100  
195

145



- (b) The following information relates to Khani Manufacturers for the year ended 31 December 2017:

	Ksh	Ksh
Sales (400,000 units)		2,000,000
Variable cost of goods sold		7,500,000
Variable selling costs		4,500,000
Fixed costs		
Manufacturing	4,240,000	
Selling and distribution	1,120,000	
Administrative costs	<u>1,080,600</u>	<u>6,440,000</u>

- (i) Prepare a marginal income statement for the year ended 31 December 2017.
- (ii) Calculate:
- (I) Break-even quantities in units and value.
  - (II) A margin of safety.
  - (III) The number of units to be sold in 2018 if a net profit of Ksh 2,200,000 is expected

**NB: Assume selling price variable costs and fixed units are to remain the same.**  
(12 marks)

- (a) Explain each of the following accounting concepts:

- (i) Accrued concept;
- (ii) Historical cost concept;
- (iii) Materiality concept;
- (iv) Consistency concept.

(8 marks)

- (b) Dala Limited manufactures 10,000 units of product P. The information for January 2018 is given below:

	Budgeted	Actual
Direct materials cost per unit	Ksh, 50	Ksh 45
Direct labour hours per unit	20 hours	22 hours
Labour cost per hour	Ksh 100	Ksh 90
Fixed overheads	Ksh 1,200,000	Ksh 1,217,500

Calculate:

- (i) direct material cost variance;
- (ii) labour rate variance;
- (iii) labour efficiency variance;
- (iv) fixed overheads cost variance.

(12 marks)

- (a) Explain four factors that may affect the level of working capital in a firm. (8 marks)
- (b) The following information was extracted from Karua Manufacturers for the year ended 31 December 2017.

Month	Units produced	Total production cost
		Ksh
June	30	450
July	25	395
August	20	374

- (i) Determine the regression equation.
- (ii) Using the regression equation in (i) above, determine the total cost of producing 50 units.
- (12 marks)

- (a) Explain four ways through which a business organisation may improve its liquidity position. (8 marks)
- (b) Ngaka Manufacturers make and sell products X, Y and Z. The following information relates to the products' budget for the year 2017.

	X	Y	Z
Sales in units	60,000	4,000	120,000
Selling price per unit	Ksh 25	Ks 600	Ksh 8
Finished goods			
1 January 2017	6,000	1,200	30,000
31 December 2017	3,000	300	50,000
Standard cost per unit	Ksh 30	Ksh 500	Ksh 5

Prepare a production cost budget. (12 marks)

$$b = \frac{\sum xy - \frac{\sum x \sum y}{n}}{\sum x^2 - \frac{(\sum x)^2}{n}}$$

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