**041306T4BUS**

**BUSINESS MANAGER**

**LEVEL 6**

**BUS/OS/BM/CR/05/6/A**

**Manage Business Assets And Liabilities**

**July/August 2024**

## SECTION A (40 MARKS)

1. **Types of Organization Assets:**

- **Current Assets:** Cash, inventory, accounts receivable.
- **Fixed Assets:** Buildings, machinery, land.
- **Intangible Assets:** Patents, trademarks, goodwill.
- **Financial Assets:** Stocks, bonds, investments.

2. **Factors to Consider Before Making Investments:**

- **Risk Assessment:** Evaluating potential risks associated with the investment.
- **Return on Investment (ROI):** Estimating the expected financial returns.
- **Market Conditions:** Analyzing current market trends and demands.
- **Regulatory Environment:** Understanding legal and compliance requirements.

3. **Goals of Physical Asset Management:**

- **Maximize Asset Utilization:** Ensuring assets are used effectively.
- **Cost Management:** Minimizing maintenance and operational costs.
- **Compliance and Safety:** Adhering to regulations and safety standards.
- **Lifecycle Management:** Managing assets from acquisition to disposal.

4. **Factors to Consider When Maintaining Assets:**

- **Maintenance Schedule:** Regularly planned maintenance activities.
- **Operating Conditions:** Environmental factors affecting asset performance.
- **Usage Patterns:** Understanding how and when assets are used.
- **Budget Constraints:** Allocating sufficient funds for maintenance activities.

5. **Investment Criteria to Avoid Losses:**

- **Payback Period:** Time taken to recover the initial investment.
- **Net Present Value (NPV):** The difference between present value of cash inflows and outflows.
- **Internal Rate of Return (IRR):** The rate at which the NPV of cash flows equals zero.
- **Risk-Adjusted Return:** Evaluating returns while considering associated risks.

6. **Ways Asset Planning Helps Organizations:**

- **Resource Allocation:** Ensuring optimal use of resources.
- **Cost Efficiency:** Identifying areas to reduce costs.
- **Future Growth:** Planning for future asset needs and expansions.
- **Risk Management:** Mitigating risks associated with asset management.

7. **Costs Associated with Acquisition of Assets:**

- **Purchase Price:** The initial cost of acquiring the asset.
- **Transportation Costs:** Expenses related to delivering the asset.
- **Installation Costs:** Costs incurred to set up the asset.
- **Training Costs:** Expenses for training staff to use the asset.

8. **Types of Organization Liabilities:**

- **Current Liabilities:** Accounts payable, short-term loans.
- **Long-term Liabilities:** Mortgages, bonds payable.
- **Contingent Liabilities:** Potential obligations depending on future events.
- **Accrued Liabilities:** Expenses that are incurred but not yet paid.

9. **Importance of Inventory Stock Records:**

- **Financial Accuracy:** Ensures accurate financial reporting.
- **Operational Efficiency:** Helps manage stock levels and reduce waste.
- **Decision Making:** Informs purchasing and production decisions.
- **Compliance:** Meets regulatory requirements for inventory management.

10. **Ways to Schedule Payments for Asset Acquisition:**

- **Lump-Sum Payment:** Paying the full amount upfront.
- **Installment Payments:** Spreading payments over a specified period.
- **Leasing Options:** Paying for the use of an asset without ownership.
- **Deferred Payments:** Delaying payment until a later date.

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SECTION B (60 MARKS)

11. **a) Factors to Consider Before Disposing Assets:**

- **Condition of the Asset:** Assessing whether the asset is obsolete or still usable.
- **Market Value:** Evaluating the current market value of the asset.
- **Cost of Maintenance:** Considering ongoing costs versus potential returns.
- **Regulatory Compliance:** Ensuring disposal methods adhere to legal standards.

**b) Financial Controls for Generated Finance:**

- **Budgeting:** Allocating funds generated from asset sales to specific projects.
- **Monitoring Expenditures:** Keeping track of how funds are spent.
- **Financial Reporting:** Regularly reporting on the financial impact of asset disposals.
- **Auditing:** Conducting audits to ensure proper use of funds.
- **Performance Evaluation:** Assessing the outcomes of investments made from generated funds.

12. **a) Importance of Documentation for Investment Operations:**

- **Consistency:** Ensures uniformity in procedures and practices.
- **Accountability:** Establishes responsibility for actions taken.

- **Compliance:** Meets legal and regulatory requirements.
- **Knowledge Transfer:** Facilitates onboarding and training of new employees.
- **Performance Tracking:** Provides a basis for evaluating investment success.

**b) Principles Guiding Asset Management:**

- **Value Optimization:** Maximizing the value derived from assets.
- **Risk Management:** Identifying and mitigating risks associated with assets.
- **Lifecycle Management:** Managing assets throughout their lifecycle.
- **Sustainability:** Considering environmental impacts in asset management.
- **Stakeholder Engagement:** Involving stakeholders in asset management decisions.

13. **a) Objectives of Asset Planning:**

- **Resource Efficiency:** Ensuring optimal use of available resources.
- **Cost Control:** Minimizing costs associated with asset management.
- **Risk Mitigation:** Reducing risks related to asset ownership and operation.
- **Strategic Alignment:** Aligning asset management with organizational goals.
- **Future-Proofing:** Planning for future asset needs and technological advancements.

**b) Methods of Capital Budgeting Analysis:**

- **Net Present Value (NPV):** Evaluating the profitability of an investment.
- **Internal Rate of Return (IRR):** Assessing the expected rate of return.
- **Payback Period:** Calculating the time needed to recover the initial investment.
- **Profitability Index (PI):** Measuring the relationship between costs and benefits.
- **Discounted Cash Flow (DCF):** Analyzing cash flows over time.

14. **a) Examples of Internal Control Systems:**

- **Segregation of Duties:** Dividing responsibilities to reduce risk of fraud.
- **Authorization Controls:** Requiring approvals for significant transactions.
- **Access Controls:** Limiting access to sensitive information and assets.
- **Regular Audits:** Conducting periodic reviews of financial and operational processes.
- **Incident Reporting Systems:** Implementing procedures for reporting discrepancies.

**b) Criteria for Project Selection:**

- **Feasibility:** Assessing whether the project is practical and achievable.
- **Cost-Benefit Analysis:** Evaluating the expected benefits against costs.
- **Alignment with Strategy:** Ensuring the project aligns with organizational goals.
- **Risk Assessment:** Identifying potential risks and their impact.
- **Return on Investment (ROI):** Estimating the financial returns of the project.