

3813/203
3817/203
STRATEGIC AND FINANCIAL MANAGEMENT
November, 2008
Time: 3 hours

THE KENYA NATIONAL EXAMINATIONS COUNCIL
HIGHER DIPLOMA IN LIBRARY AND INFORMATION
MANAGEMENT
HIGHER DIPLOMA IN ARCHIVES AND RECORDS MANAGEMENT
MODULE II

STRATEGIC AND FINANCIAL MANAGEMENT

3 hours

INSTRUCTIONS TO CANDIDATES

This paper consists of SIX questions in THREE sections; A, B and C.

Answer FOUR questions as follows:

BOTH questions in section A;

ONE question from section B;

ONE question from section C.

Section A carries 60 marks.

Section B and C carry 20 marks each.

Show ALL your workings.

This paper consists of 6 printed pages.

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

Monique Library And Allied Services
 Profit and loss account
 For the year ended 31 December 2007

	sh.	sh.
Revenue		452,430
Less: cost of goods sold	189,100	
Depreciation	105,580	
Other expenses	<u>21,890</u>	
Total operating expenses		<u>316,570</u>
Operating profit		135,860
Interest on loans and overdrafts		<u>31,800</u>
Net profit		<u>104,060</u>

Monique Library And Allied Services
 Balance sheet
 as at 31 December 2007

	sh.	sh.
Non Current Assets:		
Furniture and fittings (Net Book value)		604,320
Current Assets:		
Stocks	122,430	
Debtors	24,450	
Cash at bank	<u>156,450</u>	<u>303,330</u>
		<u>907,650</u>
Capital and Liabilities		
Capital	700,000	
Net profit	<u>104,060</u>	804,060
Creditors		<u>103,590</u>
		<u>907,650</u>

- (a) Identify the core values of MLAS. (10 marks)
- (b) Outline the strengths of the business that give it a competitive edge. (10 marks)
- (c) Calculate each of the following ratios of MLAS.
- (i) Gross profit margin;
 - (ii) Net profit margin;
 - (iii) Current ratio;
 - (iv) Acid test ratio;
 - (v) Stock turnover. (10 marks)

(d) The industry ratios for the business are as follows:

Gross profit margin	60%
Net profit margin	25%
Current ratio	3:0:1
Acid test ratio	2:1
Stock turnover	2 times.

In the light of your answers to 1 (c) above, advise the management on how each of the ratios may be improved. (10 marks)

2. (a) Jua Ltd. intends to reduce the level of investment in working capital through debtors. Explain **five** measures that the firm should take to achieve this objective. (10 marks)
- (b) Explain **five** factors that determine a company's resource strengths as would be identified in a SWOT analysis. (10 marks)

SECTION B (20 marks)

Answer ONE question from this section.

3. (a) Explain the factors that a business enterprise should consider before adopting a vertical integration strategy. (10 marks)
- (b) Describe the features of an organisation structure that is designed for cost leadership in a firm. (10 marks)
4. (a) Explain **six** operational practices of a firm that has effective functional strategies for differentiation. (12 marks)
- (b) Organisations are increasingly being required to demonstrate good corporate governance. Describe the common corporate governance mechanisms. (8 marks)

SECTION C (20 marks)

Answer ONE question from this section.

5. (a) Describe **six** types of short term investment which a company may undertake using surplus cash to earn interest. (12 marks)
- (b) Explain the types of information that a production manager would require in order to prepare a production budget. (8 marks)
6. (a) Pesiwa Ltd. intends to raise finance through the issue of debentures. Explain the advantages of this form of financing to the company. (10 marks)
- (b) Describe the procedures that should be followed when determining the cost of goods in a manufacturing entity. (10 marks)