

041305T4BUS

BUSINESS MANAGEMENT LEVEL 5

BUS/OS/BM/CR/4/5

Maintain Business Assets and Liabilities

JULY /AUG 2023



**TVET CURRICULUM DEVELOPMENT, ASSESSMENT AND CERTIFICATION
COUNCIL (TVET CDACC)**

WRITTEN ASSESSMENT

Time: 3 hours

INSTRUCTIONS TO CANDIDATES

1. This paper has three sections **A**, **B** and **C**.
2. You are provided with a separate answer booklet.
3. Marks for each question are as indicated.
4. Do not write on the question paper.

This paper consists of 7 printed pages

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

SECTION A (20 MARKS)

Answer all questions in this section in the answer booklet provided. Each question carries one (1) mark.

1. The difference between assets and liabilities is known as _____.
 - A. Debtors
 - B. Creditors
 - C. Equity
 - D. Profits
2. The following are financial statements of a business except _____.
 - A. Balance sheet
 - B. Income statement
 - C. Cash flow statement
 - D. Cash book
3. Which one of the following is not a current liability?
 - A. Bonds payable
 - B. Accounts payable
 - C. Accrued expenses
 - D. Unearned revenue
4. Bad debts are treated as _____ in accounting.
 - A. Liabilities
 - B. assets
 - C. expenses
 - D. capital
5. Capital allowances are a way of obtaining _____ hence are very crucial in a business to enhance its profitability.
 - A. Overdraft
 - B. Tax relief
 - C. Interest
 - D. Equity
6. Which one of the following is not an inventory?
 - A. Raw materials
 - B. Work in progress
 - C. Finished goods

- D. sales
7. Which of the following is an appropriate system for monitoring the location of assets of a business?
- A. Geographical positioning satellite (GPS)
 - B. Enterprise resource planning (ERP)
 - C. Material requirement planning (MRP)
 - D. Manufacturing resource planning (MRPII)
8. _____ are policies and procedures designed to prevent or detect accounting errors.
- A. Financial controls
 - B. Budgeting
 - C. Queuing
 - D. Tendering
9. Which of the following is not included in the preparation of a balance sheet?
- A. Assets
 - B. Capital
 - C. Revenues
 - D. liabilities
10. Equity is also known as _____?
- A. Bank
 - B. Cash
 - C. Stock
 - D. capital
11. Which of the following is not classified as assets?
- A. Equipment
 - B. Inventory
 - C. Debtors
 - D. Creditors
12. Which of the following explains the meaning of 'asset disposal value'?
- A. The remaining value an asset possesses
 - B. Cost of disposing an asset
 - C. Buying cost of disposable asset
 - D. Transport cost of disposable asset

13. It is important to keep debtors as low as possible compared to turnover. What is turnover?
- A. stock
 - B. Total sales
 - C. Total purchases
 - D. Total assets
14. The following are all current assets except _____?
- A. Accounts receivable
 - B. Inventory
 - C. Prepaid expenses
 - D. Bank overdraft
15. Organizations need to establish and maintain an effective system of internal controls of their assets. Which one of the following is not a principle of control activities?
- A. Establishment of responsibility
 - B. Promotion of long serving employees.
 - C. Segregation of duties.
 - D. Physical controls.
16. _____ is the most liquid asset among the following.
- A. Cash
 - B. Bank
 - C. Rent receivable
 - D. Stock
17. Which of the following does not lead to depreciation of an asset?
- A. Normal wear and tear
 - B. Expiration of legal right
 - C. Increase in prices
 - D. Obsolescence
18. Resource mobilization is a process that involves the following three integrated concepts except?
- A. Organizational management and development
 - B. Communicating and prospecting
 - C. Relationship building
 - D. Preparing financial statements
19. Carriage inwards are treated as what in the income statement?

- A. Expenses
 - B. Purchases
 - C. Incomes
 - D. liabilities
20. When is the appropriate time to do stocktaking in a business?
- A. End of an accounting period
 - B. When business makes a loss
 - C. At the beginning of the year
 - D. Any time

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SECTION B (40 MARKS)

Answer all the questions from this section

21. State **FOUR** importance of stocktaking in enhancing the performance of a business. (4marks)
22. Identify **FOUR** transactions of an organization that fall under inventory. (4 marks)
23. Depreciation refers to the decrease in value of non-current assets over time. State **FIVE** causes of depreciation. (5 marks)
24. Highlight **FIVE** purpose of formulating an assets and liabilities policy according to finance policy and procedure. (5 marks)
25. State **FIVE** types of assets than an organization can own. (5 marks)
26. Outline **FIVE** benefits that accrue an organization by maintaining asset register. (5 marks)
27. Highlight **FOUR** inventory transactions (4 marks)
28. Outline **THREE** components of an inventory (3 marks)
29. Highlight **FIVE** importance of debtor management (5 marks)

SECTION C (40 MARKS)

Answer Question 30 and any other one Question from this section.

30.

- a) A certain company was continually making losses to an extent of having difficulties to pay its workers. Explain **SIX** reasons why the company should embrace financial controls (12 marks)
- b) Explain **FOUR** importance of both financial and non-financial controls. (8 marks)

31.

- a) Internal controls have become a key business function for every company that wants to succeed. Explain **FIVE** importance of having internal controls. (10 marks)
- b) Discuss **FIVE** principles of asset management (10 marks)

32.

- a) Being an expert, you have been tasked by the company you work for to make a presentation to the concerned managers on how to prepare a balance sheet. Describe how it should be done making sure you focus on the important aspects (12 marks)
- b) Explain **FOUR** methods of recording changes in the balance sheet. (8 marks)