

041305T4BUS

BUSINESS MANAGEMENT LEVEL 5

BUS/OS/BM/CR/4/5/A

MAINTAIN ASSETS AND LIABILITIES

Nov/Dec 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 indicated in the brackets ().
4. Do not write on the question paper

This paper consists of Seven (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 the questions in this section. Each question is 1 mark.

1. _____ is not an asset.
 - A. Land.
 - B. Vehicle.
 - C. Debtors.
 - D. Creditors.
2. The cost of assets consumed on services used is also known as _____.
 - A. A revenue.
 - B. An expense.
 - C. A liability.
 - D. An asset.
3. Divided are reported in?
 - A. Income statement and balance sheet.
 - B. Balance sheet.
 - C. Income statement.
 - D. Retained earnings statement.
4. To show how successful your business performed during a period of time, you would report its revenue and expenses in the?
 - A. Balance sheet.
 - B. Income statement.
 - C. Statement of cash flows.
 - D. Retained earnings statement.
5. Identify the principal objective of depreciation.
 - A. Show records to Income Tax Department.
 - B. To show previous year's profit.
 - C. To calculate net profit.
 - D. To get a tax rebate.
6. _____ is the reason behind making a provision for depreciation in accounts.
 - A. To purchase new assets.
 - B. To charge the cost of assets against profits.

- C. To show current liabilities.
- D. To show the current value of assets.
7. Which of the following is not an inventory?
- A. Consumable tool.
- B. Finished products.
- C. Raw material.
- D. Machines.
8. Select from the statements given below the correct accounting equation.
- A. Total assets + Total Liabilities = Equity.
- B. Total Assets + equity = Liabilities.
- C. Total asset = Equity – Total liabilities.
- D. Total assets - Total liability = Equity.
9. ABC company has Noncurrent Assets of Ksh.300, 000, current Assets of Ksh. 120,000, current liabilities of Ksh. 42,000 and noncurrent liabilities of Ksh. 40,000. Using the accounting equation calculate the figure for equity.
- Equity = Assets – liability
- A. Ksh.338000
- B. Ksh.160000
- C. Ksh.340000
- D. Ksh.162000
10. The following transactions took place in July 2023. _____ cannot be found in the sales journal.
- i. Credit sales to Mr. Kamau worth kshs. 20,000.
- ii. Cash sales worth kshs. 14,000.
- iii. Good worth Kshs. 3000 sold on credit to Mr. Kamau returned on 3rd July 2023.
- iv. Credit purchases worth Kshs. 60,000 from PREDE Limited.
- v. Credit sales to Mr. Wahiuh worth Kshs. 40,000.
- A. Transaction i and iii.
- B. Transaction ii and v.
- C. Transaction i and v.
- D. None of the above.

11. Select from the list a component of a balance sheet.
- A. Cost of Goods sold.
 - B. Profit and loss.
 - C. Liabilities.
 - D. Net profit.
12. Which of the following statement is incorrect in regard to recording a transaction?
- A. Expenses are debited.
 - B. Assets are debited.
 - C. Liabilities are credited.
 - D. Income is debited.
13. A company buys goods worth Kshs. 200,000 and pays Kshs. 180,000. The amount owed to suppliers is Kshs. 20,000. The amount owed to creditors is?
- A. Payment made to creditors.
 - B. Payment made to suppliers.
 - C. Payment made by suppliers.
 - D. Payment made by creditors.
14. Identify the correct definition of the term **fixed installment method** in calculating depreciation.
- A. The way to work out the loss of value of an asset over time.
 - B. The amount of depreciation each year is fixed and equal in amount.
 - C. An accelerated method for calculating an asset's depreciation.
 - D. System of recording larger depreciation expenses during the earlier years of the asset.
15. The amount of money that a company owes to its creditors is called?
- A. Credit worthiness.
 - B. Liabilities.
 - C. Loan.
 - D. Asset.
16. Identify the period when current liabilities are paid.
- A. Within a year.
 - B. After one year.
 - C. Within five years.
 - D. Subject to contingency.

17. From the list given below, select objectives for verification of liabilities.
- i. To ensure the existence of the liability.
 - ii. To ensure ownership.
 - iii. To ensure the obligation.
 - iv. To ensure proper valuation.
- A. ii
 - B. ii and iv
 - C. i, ii, iii and iv
 - D. i, iii, and iv
18. _____ is not a method of issuing goods.
- A. Random issue.
 - B. Schedule issue.
 - C. Imprest issue.
 - D. Initial issue.
19. Identify a no depreciation method from the list given below.
- A. Straight-line depreciation.
 - B. Declining balance depreciation.
 - C. Zero depreciation.
 - D. Units of production depreciation.
20. Select a scenario that illustrates a situation where a lender quantifies a borrower's character to determine creditworthiness.
- A. XYZ finance will not approve Jane's loan application based on rumours and gossip about him from her town.
 - B. JM Finance will not approve loan due to late payments and a large debt load on her credit report.
 - C. HHY Finance will approve a loan to Juma on the basis of his capacity to make a Kshs. 20,000 down payment.
 - D. KK finance will approve a loan to Janise due to her good reputation in the society

SECTION B: 40 MARKS

Answer all the questions in this section.

21. Define the following terms as used in a business entity. (4 Marks)
- i. **Asset register.**
 - ii. **Re-order levels.**
 - iii. **Credit control.**
 - iv. **A debt instruments.**
22. Requisition form serve as a formal request for the purchase of goods or services needed for a project. Outline **three** features of a requisition form. (3 Marks)
23. An asset acquisition is the purchase of a company by buying its assets instead of its stock. State **five** factors to consider in acquisition of an asset in an organization. (5 Marks)
24. Highlight **three** reasons why an individual may not qualify in procurement exercise. (3 Marks)
25. A financial statement is a formal record of a company's financial activities and position. Outline **four** types of financial statement. (4 Marks)
26. State **five** measures that may be used to control credit in a firm. (5 Marks)
27. An asset register, is a comprehensive record that an organization maintains to track and manage its assets. Outline **four** components of an asset register. (4 Marks)
28. State **five** benefits of financial reports to an organization. (5 Marks)
29. Addressing problems within a department is crucial for maintaining effective operations and achieving organizational goals. Highlight **three** ways of addressing communication problems within a department. (3 Marks)
30. Differentiate between (4 Marks)
- i. Return inwards and return outwards.
 - ii. Fixed assets and current assets.

SECTION C 40: MARKS

Answer any TWO questions from this section

The maximum marks for each question is 20.

31.

- a) Mary an intern at Kizingo millers has been requested by the chief accountant to prepare a business assets and liability plan for the year ending 2022. Explain five types of liabilities she may include in her document. (10 Marks)
- b) A balance sheet plays a crucial role in budgeting by providing essential information about an organization's financial position. Explain **five** ways in which a balance sheet can assist in the budgeting process. (10 Marks)

32.

- a. XYZ ltd is a manufacturing industry, they are currently performing an audit to ascertain on their assets positions. Explain five ways on how this process will enhance their operations. (10 Marks)
- b. Explain **five** benefits accrued by an organization through routine assessments of their assets. (10 Marks)

33.

- a. Asset management is the practice of increasing wealth over time by acquiring, maintaining, and trading investments that can appreciate in value. Explain five elements of an asset plan. (10 Marks)
- b. Asset location through GPS tracking is an important tool that can enhance the efficiency and security of asset management. Explain five ways in which GPS tracking can contribute to asset management (10 Marks)