



THE KENYA NATIONAL EXAMINATION COUNCIL

Qualification Code : 041305T4BUS
Qualification : Business Management Level 5.
Unit Code : BUS/OS/CR/BM/04/5
Unit of Competency : Maintain Business Assets and Liabilities

WRITTEN ASSESSMENT

INSTRUCTIONS TO CANDIDATE

You have **THREE (3)** hours to answer all the questions.

Marks for each question are as indicated in the brackets

The paper consists of **THREE** sections: **A, B** and **C**.

Do not write on the question paper

This paper consists of EIGHT (8) 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. Identify the name for the assets that can be converted into cash within a short period.
 - A. Current assets
 - B. Fixed assets
 - C. Intangible assets
 - D. Real assets
2. One of the items below does not represent a capital expenditure. Which one is it?
 - A. Security system upgrades
 - B. Bulb replacement
 - C. New building exterior painting
 - D. Machine installation
3. Which of the aspects below is not an asset maintenance activity.
 - A. Servicing
 - B. Depreciating
 - C. Repairing
 - D. Replacing
4. A business has a capital of sh. 700,000 and assets totaling sh. 1,200,000. What is the amount of liabilities as guided in the accounting equation?
 - A. 1,900,00
 - B. -500,000
 - C. 500,000
 - D. 1,400,000
5. Which list consists of balance sheet items?
 - A. Assets, liabilities and capital
 - B. Revenues, expenses, gains and losses
 - C. Assets, liabilities and purchases
 - D. Revenues, expenses, gains and dividends
6. Identify one item below that decreases capital to a business.
 - A. Investments by owners
 - B. Losses

C. Profits

D. Short term loans

7. Which of the following terms best describes an auditor?

A. Watchman

B. Manager

C. Supervisor

D. Watchdog

8. ----- is the estimated economic life of an asset.

A. Residual value

B. Book value

C. Salvage value

D. Useful life

9. Which of the following is not a factor to consider when determining stock level in an organization?

A. Lead time

B. Seasonality

C. Demand

D. Government policy

10. Which of the following items is a liability?

A. Land

B. Machinery

C. Cash

D. Debt

11.is a tangible asset.

A. Goodwill

B. Patent

C. copyright

D. inventory

12. Select from among the following, a financial statement that shows the financial position of the company.

A. Balance sheet

B. Statement of owner's equity

C. Statement of cash flows

D. Income statement

13. Working capital is an indicator of a firms'
- A. Asset utilization
 - B. Amount of non-current liabilities
 - C. Liquidity
 - D. Amount of non- current assets
14. If the proceeds received from the disposal of a fixed asset are greater than its net book value, then the company would recognize.....
- A. An expense
 - B. A gain
 - C. A loss
 - D. A break even
15. Which of the following account is not a liability account?
- A. Accounts payable
 - B. Accrued expenses
 - C. Cash
 - D. Notes payable
16. John purchased a delivery van at a cost of Ksh. 900,000. The van has an estimated useful life of 10 years and a residual value of Ksh. 100,000. What will be the value of the van to be transferred to the balance sheet at the end of the second year?
- A. Ksh. 80,000
 - B. Ksh. 160,000
 - C. Ksh. 740,000
 - D. Ksh. 820,000
17. What is the name given to cash taken from business for personal use by the proprietor?
- A. Loss
 - B. Drawings
 - C. savings
 - D. Loan
18. One shopkeeper was offering two successive discounts of 15% and 10% of an item. While the second one is offering flat 25% discount on the same item. Which shopkeeper should I buy the item from?
- A. First shopkeeper

- B. Second shopkeeper
- C. Any of them
- D. Data insufficient

19. is a current liability.

- A. Dividends
- B. Long term lease
- C. Deferred revenue
- D. Bonds payable

20. The accounts receivable that cannot be collected because of either bankruptcy or another reason are termed as.....

- A. Collectible accounts
- B. Bad customers
- C. Doubtful accounts
- D. Bad debts

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SECTION B (40 MARKS)

(Answer all the questions from this section. The Marks are indicated in Brackets)

21. Kefa Limited purchased a truck for Ksh. 5,400,000. Shipping costs amounted to Ksh. 240,000, branding the truck in company colors and logo costed Ksh. 120,000, a cost of Ksh. 10,000 for the truck cover and Ksh. 20,000 for a month's fuel. What is the total amount of cost that should be capitalized? **(4 marks)**
22. State four causes of depreciation on fixed assets. **(4marks)**
23. Ken Traders sold an equipment for Ksh. 420,000 on 31 December 2021, which had been bought for Ksh. 1,600,000. At the time of disposal, the equipment had a book value of Ksh. 600,000. Prepare equipment disposal account. **(4 marks)**
24. Highlight four contents of a fixed assets register. **(4 marks)**
25. Outline **four** benefits of depreciating fixed assets in an organization. **(4 marks)**
26. State **four** disadvantages of perpetual stocktaking. **(4 marks)**
27. List **four** ways that companies may use an internal control system to protect their assets. **(4 marks)**
28. Komo Enterprises has made plans to purchase a new modern cash safe which is only available in a foreign country. Outline **four** challenges this company may face in executing this plan. **(4 marks)**
29. Kubbe Consultants was hired by a local wholesalers shop to assist in debts collection which had heavily accumulated. Upon further probing, Kubbe realized that the firm had no credit policy and decided to create one for the shop. Outline **four** key elements that they should include in the credit policy. **(4 marks)**
30. Highlight **four** benefits of undertaking proper assets management to a business enterprise. **(4marks)**

SECTION C (40 MARKS)

(This section has 3 questions, answer only two questions. Each question carries 20 marks).

31.

- a) Most companies are embracing the use of modern technology in their control systems. Explain **five** benefits of using such technology. **(10 marks)**
- b) Korir Enterprises incurred the following expenses during the year ended 31 December 2020.

Purchases of goods	180,000
Purchase of a motor vehicle	425,000
Payment of insurance for the motor vehicle	11,000
Payment of rent	60,000
Payment of wages	30,000
Purchase of office furniture	36,000
Repainting of shop	8,750
Payment of office expenses	123,900
Extension of warehouse	59,500
Purchase of computer	37,500
Installation of alarm system	18,500
Installation of an air conditioner	47,500

Determine:

- i) Total capital expenditure
- ii) Total revenue expenditure **(10 marks)**
- a) Soma enterprises prepares a budget every financial year. Explain **six** advantages they may enjoy for adopting this practice. **(12 Marks)**
- b) The following information relates to a product sold by ABZ Limited.

Maximum consumption	10,000 units
Minimum consumption	3,000 units
Lead time	2-4 weeks
Economic order quantity	8,000 units

Calculate each of the following:

- i. Re-order level
- ii. Minimum stock level
- iii. Maximum stock level

iv. Average stock level

(8 marks)

32.

a) The following is the trial balance of Kamal Trades as at 31 December 2021.

Details	DR	CR
	Ksh.	Ksh.
Net profit		336,400
Land and buildings	1,150,000	
Equipment	480,000	
Furniture	156,000	
Inventory	94,500	
Accounts receivable	213,050	
Accounts payable		177,050
Outstanding salaries		36,200
Accumulated depreciation:		
Equipment		135,000
Furniture		30,500
Prepaid insurance	7,000	
Drawings	65,500	
Capital		1,426,500
Rent owing		18,000
Commission earned due	11,000	
Bank overdraft		48,750
Cash	31,400	
Totals	2,208,400	2,208,400

Required:

Prepare a statement of financial position as at 31 December 2021.

(14 marks)

b) Ken Enterprises has received an additional credit request from one of its customers. The company is in the process of responding to this request. Explain **three** elements that the company may consider while conducting a credit analysis to identify whether this is a sound customer.

(6 marks)