BUSINESS MANAGEMENT LEVEL 5

Maintain Business Assets and Liabilities

July/August 2023

SECTION A (20 MARKS)

1. **C. Equity**
2. **D. Cash book**
3. **A. Bonds payable**
4. **C. expenses**
5. **B. Tax relief**
6. **D. sales**
7. **A. Geographical positioning satellite (GPS)**
8. **A. Financial controls**
9. **C. Revenues**
10. **D. capital**
11. **D. Creditors**
12. **A. The remaining value an asset possesses**
13. **B. Total sales**
14. **D. Bank overdraft**
15. **B. Promotion of long serving employees.**
16. **A. Cash**
17. **C. Increase in prices**
18. **D. Preparing financial statements**
19. **B. Purchases**
20. **A. End of an accounting period**

SECTION B (40 MARKS)

21. **Four importance of stocktaking in enhancing the performance of a business:**

- Helps in accurate financial reporting.
- Prevents stock losses and theft.
- Assists in inventory management and optimization.
- Provides insights for future purchasing decisions. (4 Marks)

22. **Four transactions of an organization that fall under inventory:**

- Purchase of raw materials.
- Sale of finished goods.
- Returns of unsold inventory to suppliers.
- Adjustments for damaged or obsolete stock. (4 Marks)

23. **Five causes of depreciation:**

- Normal wear and tear.
- Obsolescence due to technological advancements.
- Legal restrictions or expiration of rights.
- Physical damage from accidents.
- Changes in market demand affecting value. (5 Marks)

24. **Five purposes of formulating an assets and liabilities policy:**

- To ensure proper management of resources.
- To enhance financial accountability and transparency.
- To comply with legal and regulatory requirements.
- To guide decision-making regarding asset acquisition and disposal.
- To establish clear procedures for asset valuation and reporting. (5 Marks)

25. **Five types of assets an organization can own:**

- Current assets (e.g., cash, inventory).
- Non-current assets (e.g., property, equipment).
- Intangible assets (e.g., patents, trademarks).
- Financial assets (e.g., stocks, bonds).
- Fixed assets (e.g., land, buildings). (5 Marks)

26. **Five benefits of maintaining an asset register:**

- Provides a comprehensive overview of all assets.
- Facilitates tracking and monitoring of asset usage.
- Aids in financial reporting and compliance.

- Supports maintenance planning and scheduling.
- Enhances security and accountability for assets. (5 Marks)

27. **Four inventory transactions:**

- Purchase of inventory.
- Sale of inventory.
- Inventory adjustments (write-offs).
- Transfers between locations or departments. (4 Marks)

28. **Three components of inventory:**

- Raw materials.
- Work in progress.
- Finished goods. (3 Marks)

29. **Five importance of debtor management:**

- Improves cash flow and liquidity.
- Reduces the risk of bad debts.
- Enhances customer relationships through effective communication.
- Helps in making informed credit decisions.
- Supports financial planning and budgeting. (5 Marks)

SECTION C (40 MARKS)

30. Financial controls

a) Six reasons why the company should embrace financial controls:

- **Prevent Fraud:** Financial controls help detect and prevent fraudulent activities.
- **Improve Accuracy:** Ensures accuracy in financial reporting and compliance with regulations.
- **Enhance Decision-Making:** Provides reliable financial data for informed decision-making.
- **Budget Management:** Helps in monitoring expenditures against budgets.
- **Risk Management:** Identifies and mitigates financial risks.
- **Operational Efficiency:** Streamlines processes and improves resource allocation. (12 Marks)

b) Four importance of both financial and non-financial controls:

- **Financial Controls:** Ensure integrity in financial reporting and compliance with laws.
- **Non-Financial Controls:** Enhance operational performance by monitoring efficiency and effectiveness.
- Both types of controls support strategic planning and alignment with organizational goals.
- They foster accountability and transparency within the organization. (8 Marks)

31. Internal controls

a) Five importance of having internal controls:

- **Safeguarding Assets:** Protects organizational assets from theft and misuse.
- **Ensuring Compliance:** Helps ensure compliance with laws and regulations.
- **Enhancing Reliability:** Improves the reliability of financial reporting.
- **Operational Effectiveness:** Promotes efficient and effective operations.
- **Fraud Prevention:** Deters and detects fraudulent activities. (10 Marks)

b) Five principles of asset management:

- **Accountability:** Clear responsibility for asset management.
- **Transparency:** Open processes for asset management decisions.
- **Sustainability:** Ensuring long-term viability of assets.
- **Efficiency:** Optimal use of resources to manage assets.
- **Risk Management:** Identifying and mitigating risks associated with assets. (10 Marks)

32. Balance Sheet Preparation

a) How to prepare a balance sheet:

- **Identify Assets:** List all current and non-current assets, including cash, inventory, and equipment.
- **Identify Liabilities:** List all current and long-term liabilities, such as accounts payable and loans.
- **Calculate Equity:** Determine the equity by subtracting total liabilities from total assets.
- **Format the Statement:** Present assets on one side and liabilities plus equity on the other.

- **Ensure Accuracy:** Double-check calculations to ensure the balance sheet balances (Assets = Liabilities + Equity). (12 Marks)

b) Four methods of recording changes in the balance sheet:

- **Journal Entries:** Record transactions in the accounting journal.
- **Ledger Accounts:** Update ledger accounts for each asset and liability.
- **Trial Balance:** Prepare a trial balance to ensure all accounts are balanced.
- **Financial Statements:** Reflect changes in the balance sheet during financial statement preparation. (8 Marks)