

REPUBLIC OF RWANDA



Rwanda Education Board

P.O.Box 3817 Kigali  
Website: www.reb.rw  
E-mail : info@reb.rw

Names must be same as on candidate's registration form

Registration number : .....  
Surname : *Jean Baptiste*  
Other Name : *Nyamiramira*

2019

**NATIONAL EXAMINATIONS, 2019  
ORDINARY SECONDARY LEVEL**

*Business Studies*

*2020-2021*

**ANSWER BOOKLET**

Subject : *Stock and Cash Management*

Read carefully the instructions on the back of this page

|           |    |    |    |    |    |    |    |    |    |    |       |
|-----------|----|----|----|----|----|----|----|----|----|----|-------|
| QUESTIONS | 1  | 2  | 3  | 4  | 5  | 6  | 7  | 8  | 9  | 10 | Total |
| Marks     |    |    |    |    |    |    |    |    |    |    |       |
| QUESTIONS | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | Total |
| Marks     |    |    |    |    |    |    |    |    |    |    |       |
| QUESTIONS | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | Total |
| Marks     |    |    |    |    |    |    |    |    |    |    |       |

## Section 2: Attempt all the Twelve (12) questions

Do not  
write in  
this margin

Q1. Respond true or false.

(a) Liquidity is a Company's ability to convert its assets to cash in order to pay its liability when they are due

(b) Liquidity does not depend on the speed at which the assets should be turning to cash, or the assets' nearest nearness to cash

(c) Inventory is not considered to be a "quick asset"

(d) To assist in evaluating a company's liquidity, the financial ratio known as the quick ratio or acid-test ratio is calculated by dividing the amount of the company's quick assets (cash, temporary investments, and accounts receivable) by the amount of the company's current liabilities

(e) Cash is the most liquid asset a company can possess

(a) True / 1 mark

(b) False / 1 mark

(c) True / 1 mark

(d) True / 1 mark

(e) True / 1 mark

Q2. State and explain any five (5) sources of business capital (5 marks)

Five sources of business capital:

(a) Personal saving: people get money to start their own business from their own savings

(b) Loan: refers to money get outside of business with a view of paying it back with or without interest

(c) Heritage: some people get money which they use to start business from their heritage

(d) Merger of business: this is when small businesses combine their resources or capital in order to become one big business

(e) Gift, offers and donation: people after getting gift and donation from their friends and relatives

(1 source of capital = 1 mark  $\times 5 = 5$  max. 5 marks)

03. Complete the missing points. (5 marks)

Do not write in this margin

(a) Cash sale of merchandise is recorded in ... journal.  
A credit sale of an asset is recorded in general journal

(b) The special journal used for recording the credit purchase of a merchandise is called a ... journal

(c) In purchase journal transactions of merchandise purchased on credit for sale are recorded. An asset purchased on the account is not recorded in the ... journal

(d) Many people are of the opinion to record all credit transactions in the multi-column ... journal.

(e) Since purchase journal is meant for recording merchandise purchased on credit purchase of assets and other things on credit should not be recorded in the purchase journal rather a recording of these in ... is more acceptable.

- (a) Cash receipt (1 mark) (d) purchase (1 mark)  
(b) purchase (1 mark) (e) General journal (1 mark)  
(c) purchase (1 mark)

04. What are the main elements of a trading journal? (5 marks).

- Date and time (1 mark)
- Trade instrument (1 mark)
- Trade direction (1 mark)
- Entry and exit prices (1 mark)
- Position size (1 mark)
- The result of the trade (1 mark)

Max. 5 marks.

05. Suppose \$1 = 0.8 Euros in London and \$1 = 0.7 in New York. Which of the following would be the right trade for you to make money?

- (a) You sell euros in London and buy euros in New York
- (b) You sell dollars in New York and buy euros in London
- (c) You sell dollars in London and buy dollars in New York
- (d) You sell euros in London and buy dollars in New York

The answer is C.

06. Differentiate between bank notes and bank coins. (5 marks)

Bank notes: it is a piece of money, constituting a central bank's promissory note to pay a stated sum to bearer on demand. (2.5 marks)

Bank coins: Coin is (money) a piece of currency, usually metallic and in the shape of a disc, but sometimes polygonal, or with a hole in the middle. (2.5 marks)

07. Differentiate resources allocation and resources mobilisation (5 marks)

Resources allocation and resources mobilisation are differentiated in the following way:

- Resources allocation refers to the linking of resources among the various projects or business units
- Resources allocation is a plan for using available resources to achieve goals for the future. (2.5 marks)

while

Resources mobilisation involves making better use of and maximising existing resources  
All activities involved in securing new and additional resources for your organisation. (2.5 marks)

08. Answer by true or false

- (a) Resources are defined as factors of production
- (b) Allocation of resources by merit means a reward system suggesting that rewards should be distributed according to the productivity, efforts or demonstrated ability

(c) Allocation by a random assignment refers to the default allocation method when no other allocation method works

(d) Sale of assets is an internal source of capital

(e) A working capital is calculated by taking total current assets subtract total current liabilities

(a) True

(b) True

(c) True

(d) True

(e) True

(One correct answer = 1 mark x 5 = 5 marks)

09. For individuals and companies to start or expand their business activities, they may use their own capital or borrowed capital. Give five (5) factors known as 5 C's that lenders consider before granting credit to their customers (5 marks)

- Credit history/character: Your credit report is a detailed list of your credit history, consisting of information provided by lenders that extended credit to you

- Capacity: Lenders need to determine whether you can comfortably afford your payments

- Collateral (when applying a secured loan)

Capital: represents the savings, investments and other assets that can help repay the loan.

- Conditions: factor such as environmental and economic conditions, having an account in the bank, presenting a business plan, having a started minimum amount on account may also be considered.

(one stated C = 1 mark = 5 (max. 5 marks))

10. (a) Before the term "start-up finance" startup finance refers to the money that is required to start a new business. Startup capital is also referred to as "seed money" (2 marks)

(b) Give three (3) examples where start-up finance is needed (2 marks)

Three examples where start-up finance is needed are:

- This includes money needed for office space
- permits / licenses
- inventory, product development and manufacturing
- marketing or
- Any other expense

(one example = 1 mark x 3 = 3 (max. 3 marks))

11. Assume Current assets worth 125 and Current liabilities worth 100 and stock worth 20. Calculate liquid ratio.

Liquid ratio =  $\frac{\text{Current assets} - \text{Stock}}{\text{Current liabilities}}$   
 Liquid ratio =  $\frac{125 - 20}{100} = 0.75$  (5 marks)

12. Give 5 ways of stocking goods conveniently (5 marks)

- Using boxes
- Palleting
- Stack the heaviest items
- Accessibility
- Necessity

Section II: Attempt any four questions out of six (40 marks)

13. Given an example of a forex trading journal (15 marks)

Here is a typical example. We have entered with a buy position in EUR/USD with every entry price of 1.16 stop-loss of 1.15 and take profit of 1.17. The position size is 20000 or 0.5 of standard lot. The reason for entering into the trade was to break a horizontal resistance which now acted as a support to the price. These fields are shown below

| Date    | Market  | Instrument | Direction | Buy price | Stop loss |
|---------|---------|------------|-----------|-----------|-----------|
|         |         |            |           |           |           |
|         |         |            |           |           |           |
|         | 9 April | forex      | BUY/USD   | Buy       |           |
| 9 April | forex   | EUR/USD    | Buy       | 1.16      | 1.15      |
|         |         |            |           |           |           |
|         |         |            |           |           |           |

| Result take IT | Result | Commentary / reasons                       | chart |
|----------------|--------|--|-------|
|                |        | horizontal resistance break and pull back. |       |

14. (a) List and explain three main types of investment cost in business (6 marks)

Types of investment cost in business are:

- ownership investment: is the value of money or other assets that the owner puts into the business in order to start up or keep it running (2 marks)

- Cash equivalent: these are cash investment in business in which means they are easy to convert into cash (2 marks)

- lending investment refers to the allowing other person to use your money and the money will be paid back with interest (going loan to other another person) (2 marks)

(b) State five (5) examples of business operations requirements (4 marks)

Four (4) examples of business requirements are:

Do not write in this margin

- Capital requirement
- Local requirement
- Business rules
- Ethical requirement
- Market
- Competent staff
- Good location
- Business environment
- Health, Safety, and Environment (HSE) requirement

15. Differentiate between Base Currency Journal Lines and Base Currency Adjustment Lines (5 marks)

Base Currency journal lines:

Base Currency lines within a multicurrency journal consist of a base code and amount only. When these are posted, the system posts the base amount to the posted total amount and the posted base amount fields of the ledger lines for the base currency. (5 marks)

Base Currency adjustment lines

Base Currency adjustment lines differ from base currency lines in that the adjustment is posted for the corresponding foreign currency. The system posts the base amount to the posted base amount field of the ledger line for that foreign currency. (1 mark)

16. Classify the following activities under: operating activities, investing activities, financing activities (10 marks)

(a) Cash payment to acquire shares or debentures of other entities

(b) Cash payment to suppliers for goods and services

(c) Cash received from the sale of goods and the rendering of services.



- (d) Cash received repayment of amount borrowed
- (e) dividends paid to shareholders
- (f) Dividends received from shares acquired in BB Ltd

Do not write in this margin

| Operating activities   | Investing activities   | Financing activities                |
|--|--|-------------------------------------|
| - Cash payments to suppliers for goods and services                  | - Cash payments to acquire shares or disbursements of other entities | - Cash repayment of amount borrowed |
| - Cash received from the sale of goods and the rendering of services | - Dividends received from shares acquired in BB Ltd                  | - dividends paid to shareholders    |

12. Kundumurimo Company Ltd is a food processing company located at Muhanga district. It is facing the problem of mismanagement of stock resulting to its understatement of stock which causes the lack of timely delivery to its customers and overstatement of stock which causes the lack of timely delivery which leads to high cost of handling stock. Kundumurimo Company Ltd is looking for ways to set a minimum stock level to satisfy the needs of its customers in line with its cost capacity and maximum stock level to avoid losses. As a competent trade retailer, you are hired to determine the minimum and maximum stock level for the following transactions mentioned below within 2 hours

- Normal usage 100 units per week each
- Minimum usage 25 units per week each
- Maximum usage 75 units per week each
- Re-order quantity A 400 units; B 500 units
- Minimum re-order period A 6 weeks
- Maximum re-order period A 8 weeks

Re-order period B 4 to 6 weeks

Do not write in this margin

(a) Determine minimum stock level for each product

(b) Determine maximum stock level for each product

(a) Minimum stock level for product A = Re-order level (average rate of consumption \* average re-order period) / 1 mark

Re-order level = Maximum rate of consumption \* maximum re-order period = 75 units \* 8 = 600 units (1 mark)

Average re-order period =  $\frac{\text{max rp} + \text{min rp}}{2} = \frac{8+6}{2} = 7$  units  
Minimum stock level for product A = 600 units (50 units \* 7) = 200 units (0.5 mark)

Minimum stock level for product B = Re-order level (average rate of consumption \* average re-order period) (1 mark)

Re-order level = Maximum rate of consumption \* maximum re-order period = 75 units \* 6 = 450 units (1 mark)

Average re-order period =  $\frac{\text{max rp} + \text{min rp}}{2} = \frac{6+4}{2} = 5$  units

Minimum stock level of for product A = 450 units (50 units \* 7) = 200 units (0.5 mark)

(b) Maximum stock level for product A: (re-order level + re-order quantity) - (minimum rate of cons. \* min re-order period) (1 mark)

= (600 units + 400 units) - (25 units \* 6) = 850 units (1 mark)

Maximum stock level for product B: (re-order level + re-order quantity) - (minimum rate of cons. \* min re-order period) (1.5 mark)

= (450 units + 500 units) - (25 units \* 4) = 950 units (1 mark)

18. In the month of February 2019, we managed to carry out the following movements in our stock,

Do not write in this margin

February 1: Initial stock was 10,000 kgs for 50,000 Fw

February 3: Received 7,000 kgs for 227,000 Fw, receiving slip number 3

February 4: 60,000 kgs of goods issued, issue note number 10

February 10: Received 40,000 kgs being worth of 134,000 Fw, receiving slip number 4

February 12: 40,000 kgs of goods issued, issue note number 11

February 20: Received 50,000 kgs for 174,000 Fw, receiving slip number 5

February 28: 44,000 kgs of goods issued, issue note number 2

Required:

(a) Prepare the stock card using FIFO method (10 marks)

(b) Show the closing stock at 28, February 2019 (5 marks)

(b) The closing stock = 26,000 kgs for 3.49 Fw, total 90,740 Fw