



**NATIONAL EXAMINATION
AND SCHOOL INSPECTION
AUTHORITY**

ACC – Credit management and creditors account

T153

Wednesday, 02/08/2023

08:30 – 11:30 AM

Names:

Index number

TVET NATIONAL EXAMINATIONS, LEVEL 5, 2022-2023

QUESTIONS and ANSWERS BOOKLET

OPTION/ TRADE : ACCOUNTING

SUBJECT/EXAM: CREDIT MANAGEMENT AND CREDITORS' ACCOUNT

DURATION: 3 Hours

Read carefully the instructions on page 1 & 2.

FOR EXAMINER'S USE ONLY

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TVET NATIONAL EXAMINATIONS, LEVEL 5, 2022-2023

INSTRUCTIONS TO CANDIDATES: PART I (ANSWER BOOKLET)

1. A candidate should fill in the actual names and the Index number on the cover of this questions and answer booklet on the provided place.
 2. It is illegal for a candidate to write any of names, Index number or school name inside the answer booklet.
 3. No candidate should remove or tear any pages or part of it in the answer booklet.
 4. A candidate should answer in the language in which the examination is set.
 5. A candidate should sign on the sitting plan when submitting the answer booklet. He/she has also to check if the answer booklet is well sealed.
 6. No extra paper is allowed in the examinations room. If a candidate is caught with it his/her results will be nullified.
 7. No candidate is allowed to write answers not related to the subject being sat for, otherwise it will be considered as a cheating case.
 8. Write your answers on the 16 lined pages (From page 7 to page 22).
 9. Use the last non-lined pages as draft.
 10. Results for any candidate who is caught in examination malpractices are nullified. The cheating can be recognized during examinations administration, marking exercise or even thereafter.
- N.B:** 1) After results publication, there is no remarking and no candidate is given his/her answer booklet for review. This answer booklet is a property of NESAs.
- 2) Claims are only received online within 30 days after results publication. A link will be provided after results publication.

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INSTRUCTIONS TO CANDIDATES (QUESTION PAPER)

This Exam paper is composed of Three Sections (A, B, and C). Follow the instructions given below, and answer the indicated questions for a total of 100 marks

Section **A**: Fourteen (**14**) questions, all **Compulsory** **55 marks**

Section **B**: Among the five (**5**) questions, attempt any three (3) **30 marks**

Section **C**: Among the two (**2**) questions, attempt any one (1) **15 marks**

Allowed materials:

- Blue or black pen
- Mathematical set
- Non-programmable calculator

Note:

Every candidate is required to carefully comply with the provided assessment instructions.

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SECTION A: Attempt all questions

(55 marks)

- 01.** List any three (3) main features of contract law. **(3marks)**
- 02.** Mention any five (5) objectives of liquidity management to a business. **(5marks)**
- 03.** What are the requirements for opening a branch for Foreign Company in Rwanda? **(5marks)**
- 04.** What is a payment review? **(2marks)**
- 05.** Explain the types of internal trade. **(4marks)**
- 06.** For entering into creditors details in credit management system we need creditors details. Explain any four (4) main details of creditors. **(4marks)**
- 07.** “Nothing should go for nothing” is an expression used in contract agreement. Every simple contract must be supported by consideration and under common law the basis of consideration lies in the legal. Explain different types of consideration. **(4marks)**
- 08.** Differentiate verification of assets from valuation of assets in a company. **(2marks)**
- 09.** Explain the categories of creditors in accounting and finance. **(5marks)**
- 10.** Explain different levels of distribution channels of goods and services of any business. **(5marks)**

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11. Read carefully the statements below and answer by **True(T)** or **False(F)**. **(4marks)**

A. The details of creditors are the following:

- a) Contact email
- b) Fax
- c) Internet
- d) Email

B. Here are the steps to be followed when verifying the accuracy of the monthly statement.

- a) Compare monthly statement against the creditor's ledger account in the creditor's ledger.
- b) The debit column of the statement is compared to the credit side of the ledger account and the credit column on the statement is compared with the debit side of the ledger account.
- c) If the creditor made any error, the business receiving the statement must not notify the creditor so that the correction should be in place.
- d) If there are any error or omission in the books of the business receiving the statement, they must be corrected.

12. The interest paid on a loan of RWF 500,000 for 2 months was 12,500 RWF. What was the interest rate? **(2marks)**

13. Explain briefly the five C's of credit analysis in different banks. **(5marks)**

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- 14.** A sum of 7440Rwf was invested at the annual interest of 6% **(5marks)**
compounded annually. How long will it take to become 10000Rwf?

Section B: Attempt any three (3) questions (30 marks)

- 15.** Calculate the future value of 200,000 Rwf at 20% compound **(10marks)**
interest:
- a) Annually
 - b) Quarterly
 - c) Monthly
- 16.** Explain any five (5) elements involved in loan payment schedule. **(10marks)**
- 17.** Discuss objectives of liquidity management. **(10marks)**
- 18.** Regional trading agreements vary depending on the level of **(10marks)**
commitment and arrangement among the member countries.
Explain any five (5) types of Regional Trading Agreements.
- 19.** a) Differentiate bankruptcy from insolvency. **(4marks)**
- b) Discuss the following:
- i. Any three (3) causes of insolvency **(3marks)**
 - ii. Any and three (3) causes of bankruptcy. **(3marks)**

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Section C: Attempt only one (1) question

(15 marks)

20. Wholesalers credit sales are currently 14,400,000 FRW. The firm **(15marks)** offers a net 30 days credit terms to its retailers. Of its receivables 3% becomes uncollectible. Variable costs are 70% of sales and the firm requires 20% rate of return of its assets. The wholesaler is considering the following 3 alternative credit policy.

1. Keep credit terms of net 30days
2. Change of terms of net 60 days
3. Change of terms of net 90days

Data for alternative is shown below:

	net 30 days	net 60 days	90 days
Receivable turnover	12 times	6 times	4 times
Annual credit sales	14,400,000	156,00,000	16,400,000
Average account receivable	1,2000,000	2,600,000	4,100,000
Bad debt	3%	4%	6%

Required: Which policy is preferable. Justify your answer.

21. A debt of 5000 RWF with interest at 5 % is compounded semi-annually annuities over the next 3 years. Find the value of constant annuity and construct the amortization schedule of ordinary loan. **(15marks)**

END OF ASSESSMENT

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