

- Value added tax of 18%

-A table will be sold at 200,000 Rwf and a chair 100,000 Rwf.

Required: Prepare a budget for Celine Uwera's workshop.

16. You have acquired a business loan from Bank of Kigali with 4,000,000 Rwf; the repayment period is 4 years, at annual interest rate of 12%. You have been allowed to pay in 8 equal installments over the loan period.

Prepare a loan repayment schedule to ensure effective loan management.

END

ANSWERS TO EXAMINATION PAPER 2013

SECTION A

Q. 1 a) Define consumption.

b) State any four factors that influence consumption.

Answer:

a) Consumption refers to the expenditure on goods and services to satisfy human needs.

Consumption is also the satisfaction of human needs through the use of goods and services.

b) Factors influencing consumption are:

1. Price level.
2. Income.
3. Human desires.
4. Population size.
5. Taxation .
6. Rate of interest.
7. Pressure of social groups/Peer group.

Required:

- a) Calculate Manzi's opening capital.
- b) Prepare a well organized balance sheet for Manzi.

14. Akabuto Enterprise wants to calculate the professional income tax on the salaries of October 2013 for their following employees:

Umulisa gets 550,000 Rwf

Bagabo gets 400,000 Rwf

Kamali gets 100,000 Rwf

Mutangana gets 90,000 Rwf

Kaliza gets 30,000 Rwf

Required: Calculate the total amount for professional income tax of AKABUTO's employees.

15. Celine Uwera owns a carpentry workshop and is planning to make 100 tables and 100 chairs within five months. The following expenses will be made:

- Purchase of 300 wooden boards at 25,000 Rwf per board
- Purchasing varnish and accessories at 800,000 Rwf
- 20 workers will be paid 30,000 Rwf each
- Workshop rent at 100,000 Rwf per month
- Electricity 30,000 Rwf per month
- Water 6000 Rwf per month
- Repairs and maintenance 40,000 Rwf per month
- Transport costs 50,000 Rwf per month
- Telephone 40,000 Rwf per month
- Security guard 20,000 Rwf per month
- Miscellaneous expenses 10% of the total expenses

8. Fashion.
9. Anticipation or expectations.
10. Government policy.
11. Advertisement.
12. Taste and preference.
13. Seasons.
14. Level of savings.

Q. 2 Differentiate between an invoice and a receipt.

Answer:

An **invoice** is a record by which the seller informs the buyer on the details and price of sold goods and specifies the delivery and payment.

While

A **receipt** is a document that the seller gives to the buyer as a proof of paying a certain amount of money.

Q. 3 You want to buy a computer in Nyarugenge market. Explain any five procedures you would use to ensure that you buy a computer of the best quality.

Answer:

The procedures you would use to ensure that you buy a computer of the best quality:

1. **Weight:** The heavier the product, the more it is appreciated by a consumer.
2. **Size:** The dimension of a product can influence positively or negatively.
3. **Volume:** The space occupied by the product.
4. **Life expectation/durability:** Long life is preferred.
5. **The cost of maintenance** i.e the cost to maintain the machine is considered.
6. **Esthetics:** The good appearance of a product also influences the buyer.

7. **Speed:** A product which works fast is preferred than a product which works slowly.
8. **Brand name/trade mark** e.g Toshiba, Hp Compaq, etc
9. **Origin of the computer:** for example, if you consider some materials from China many people don't prefer them because they think that they are pilates, so they prefer materials from Japan, Germany rather than from China.
10. **Reputation/Credibility** of the manufacturer
11. **The rate of break down.**
12. **Version.**
13. **Guarantee or warranty.**
14. **Price.**
15. **Its capacity.**
16. **Power consumption of the machine.**

Q. 4 Explain the steps in the process of changing from a domestic market to a completely integrated regional market.

The process of changing from a domestic market to a completely integrated regional market:

1. **Preferential trade area:** This is a commercial zone where countries feel to do an economic integration.
2. **Free exchange area:** All member countries remove the tariffs between themselves but maintain the tariffs on goods from non member countries.
3. **Customs union:** There exist free movement of goods and services between member states.
4. **Common market:** In this stage, all factors of production e.g labour and capital move freely among member countries.
5. **Economic community:** Countries join each other; they harmonize their economic policies that can lead to the use of unique currency and political federation where the region will be acting as one state.

Q. 5 State any five reasons for keeping accounts of an enterprise.

Answer:

The reasons for keeping accounts of an enterprise:

1. Record, classify, summarize and analyze commercial and financial transactions.
2. Supply information for external parties and ascertain the profit or loss of an enterprise.
3. Facilitate rational decision making.
4. It allows the enterprise to establish the planning.
5. Measures the performance of the business.
6. Provide information for research.
7. It makes easy the tax assessment by the government.
8. Used to handle creditors and debtors.
9. Means of resource control.
10. For reference.
11. Help the firm to access credit.
12. For proper management.
13. It acts as evidence that the transactions take place.
14. Used to measure the performance of manager.

Q. 6 Mention any five documents for declaration of goods in customs.

- Commercial invoice.
- Transaction invoice.
- Transport invoice.
- Import licence.
- Certificate of origin.
- Certificate of quality/Quality analysis Certificate.

- Arrival declaration.
- Certificate of inspection.
- Identification of importer.
- Packaging list.
- Arrival note.
- Vehicle inspection certificate.
- Railway consignment.

Q. 7 a) Specify any two objectives of Rwanda Bureau of Standards.

b) Explain any three types of standards.

Answer:

a) The objectives of Rwanda Bureau of Standards (RBS):

1. Control quality of goods produced and goods imported in Rwanda.
2. State and conditioning of commodities which are imported or exported.
3. Protect consumers from using harmful products.
4. Controlling weights and measures used by the business people.
5. To follow and respect (conform) to the international standards.
6. To advise the business community to respect and observe the quality

b) Explain any three types of standards.

1. **Product standards** which precise characteristics of the products such as size, weight, quality and performance.
2. **Fundamental standards** which are a basis for size and quality.
3. **Services standards** which precise the rules of documents presentation such as bills of sales, printed documents, etc.

Q. 8 Identify any five stages in procurement of office supplies.

Answer:

Stages in procurement of office supplies are the following:

1. Determination of the stock security.

2. Identification of purchase need.
3. Selection of the supplier.
4. Placing in order.
5. The follow up made by the supplier.
6. Presentation of an invoice.
7. Receipt of goods/Payment of goods.

Q. 9 List any five roles of an entrepreneur.

Answer:

Roles of an entrepreneur:

1. An entrepreneur perceives the needs and analyze them in relation to the objectives that he has set.
2. An entrepreneur observes the environment and identify the needed business opportunity.
3. An entrepreneur conducts market research in order to make selection of the best project.
4. An entrepreneur mobilizes all the resources to identify and start a business.
5. An entrepreneur calculates the business risks and finds a way to minimize them.
6. Distribution of rewards.
7. Planning.
8. Organizing.
9. Innovation.
10. Motivation.
11. Staffing.
12. Co-ordinating.

13. Decision making.
14. Budgeting.
15. Management of business resources.

Q. 10 Explain any five steps in product planning.

Answer:

Steps in product planning are:

1. Generation of ideas regarding the product.
2. Screening ideas.
3. Development of a project plan or proposal.
4. Product testing.
5. Launching of the product on the market.

Q. 11 Outline any five elements of a financial plan.

Answer:

Elements of a financial plan:

1. A detailed financial plan.
2. Financial amount/Total cost of the project.
3. The opening balance sheet.
4. Projected balance sheet for any time.
5. Projected trading, profit and loss account.
6. Break-even point.
7. Source of funds.
8. Return on investment.
9. How profit will be used.

10. Fixed capital.
11. Project cash flow statement.
12. A monthly liquid asset plan.
13. Payback period.

SECTION B

Q. 12 a) State any three characteristics of a good tax.

b) Explain the importance of tax from an economic, financial and social point of view.

Answer:

a) Characteristics of a good tax:

1. It should be neutral.
2. It should be based on people's ability to pay.
3. It should be comprehensive.
4. It should be simple.
5. It should be certain.
6. It should not cause economic distortion.
7. It should be productive.
8. It should be flexible.
9. It should be convenient.
10. It should be difficult to evade/avoid.
11. It should avoid double taxation.
12. Equity/Fairness.
13. It should be accepted socially and economically.

b) The importance of tax from an economic, financial and social point of view:

1. Financial function of tax:

- ✓ The function of the central administration.
- ✓ The national defence.
- ✓ Payment of the salaries of the government officials and civil servants.
- ✓ Payment of national debt.

2. Economic function of tax:

1. It is a source of government revenue to finance public activities like roads, schools, hospitals, defense, etc.
2. Tax is used to protect domestic infant industries.
3. Tax is used to control inflation.
4. Tax is used to control monopoly power.
5. Tax is used to discourage dumping.
6. Tax is used to solve balance of payment problems.
7. Taxes encourage individuals and firms to work hard to get money to pay taxes and remain with enough money for consumption and saving.
8. It is used to stabilize the exchange rate.
9. Tax is used to redistribute income e.g taxes are used to reduce income inequality where the rich is taxed and the poor is subsidized.
10. Protecting the environment.
11. To balance regional development by taxing developed areas and increasing expenditure on backward areas.

3. Social function of tax:

1. Tax is used to control the consumption of undesirable commodities e.g high taxes on alcoholic drinks discourage their consumption.
2. Taxes helps in improving the collective welfare such as settlement, feeding, clothing, health, etc.
3. Tax reduces income inequality.
4. Tax is used to subsidize the poor.
5. Tax is seen as a sign of social solidarity because the contribution of the rich are used to finance services that are beneficial to all people.
6. To avoid over exploitation of resources.
7. Tax can be used to reduce the population growth if taxes are based on the number of children.

Q. 13 On 1 January, 2013 Manzi started business with the following assets and liabilities:

Item	Rwf
Assets:	
Cash on hand	16,800
Stock on hand	48,000
Furniture and fittings	76,000
Machinery	80,000
Debtors	22,000
Liabilities:	
Creditors	30,800
Bank overdraft	12,000

Required:

- c) Calculate Manzi's opening capital.
- d) Prepare a well organized balance sheet for Manzi.

Answer:

a) **ASSETS= CAPITAL+LIABILITIES**

CAPITAL=ASSETS-LIABILITIES

Capital= (16,800+48,000+76,000+80,000+22,000)-(30,800+12,000)

=242,800-42,800 = 200,000

Capital = 200,000 Rwf

b) Manzi's Balance sheet as at 1st January, 2013

ASSETS/Rwf		LIABILITIES AND CAPITAL/Rwf	
FIXED ASSETS:		Capital	200,000
Furniture and fittings	76,000		
Machinery	80,000		
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash on hand	16,800	Creditors	30,800
Stock on hand	48,000	Bank overdraft	12,000
Debtors	22,000		
Total	242,800	Total	242,800

Q. 14 Akabuto Enterprise wants to calculate the professional income tax on the salaries of October 2013 for their following employees:

Umulisa gets 550,000 Rwf

Bagabo gets 400,000 Rwf

Kamali gets 100,000 Rwf

Mutangana gets 90,000 Rwf

Kaliza gets 30,000 Rwf

Required: Calculate the total amount for professional income tax of AKABUTO's employees.

Answer:

Since PIT is progressive, it will be charged as follows:

Income(Rwf)	Rate
0-30,000	0%
30,001-100,000	20%
100,001 and above	30%

- a) Umulisa's income is the scale of 100,000 and above, his salary is 550,000 Rwf
Therefore 30,000 Rwf is exempted

$$(100,000-30,000) \times 20\% = 14,000 \text{ Rwf}$$

$$(550,000-100,000) \times 30\% = 135,000 \text{ Rwf}$$

$$14,000+135,000= 149,000 \text{ Rwf}$$

Umulisa is supposed to pay 149,000 Rwf

- b) Bagabo's income is the scale of 100,000 and above, his salary is 400,000 Rwf
Therefore 30,000 Rwf is exempted

$$(100,000-30,000) \times 20\% = 14,000 \text{ Rwf}$$

$$(400,000-100,000) \times 30\% = 90,000 \text{ Rwf}$$

$$14,000+90,000= 104,000 \text{ Rwf}$$

Bagabo is supposed to pay 104,000 rwf

- c) Kamali's income is the scale of 30,000-100,000, his salary is 100,000 Rwf.
Therefore 30,000 Rwf is exempted

$$(100,000-30,000) \times 20\% = 14,000 \text{ Rwf}$$

Kamali is supposed to pay 14,000 Rwf

- d) Mutangana's income is the scale of 30,000-100,000, his salary is 90,000 Rwf.
Therefore 30,000 Rwf is exempted

$$(90,000-30,000) \times 20\% = 12,000 \text{ Rwf}$$

Mutangana is supposed to pay 12,000 Rwf

- e) Kaliza's income is the scale of 0-30,000 , his salary is 30,000 Rwf
Therefore 30,000 Rwf is exempted

$$(30,000-0) \times 0\% = 0 \text{ Rwf.}$$

Kaliza is supposed to pay 0 Rwf, she is exempted to pay.

The total amount of Professional income tax to be paid by Akabuto's employees
= 149,000+104,000+14,000+12,000+0= 279,000 Rwf

Or

Formula: Professional Income Tax (PIT) for 100,000 Rwf= 100,000-30,000= 14,000 Rwf

- a) Umulisa's PIT= (550,000-100,000) x30%+14,000= 149,000 Rwf
b) Bagabo's PIT= (400,000-100,000) x30%+14,000= 104,000 Rwf
c) Kamali's PIT= (100,000-30,000) x20%=14,000 Rwf
d) Mutanga's PIT= (90,000-30,000) x20%=12,000 Rwf
e) Kaliza's PIT= (30,000-0) x0%= 0 Rwf

The total amount of Professional income tax to be paid by Akabuto's employees
= 149,000+104,000+14,000+12,000+0= 279,000 Rwf.

Q. 15 Celine Uwera owns a carpentry workshop and is planning to make 100 tables and 100 chairs within five months. The following expenses will be made:

- Purchase of 300 wooden boards at 25,000 Rwf per board
- Purchasing varnish and accessories at 800,000 Rwf
- 20 workers will be paid 30,000 Rwf each
- Workshop rent at 100,000 Rwf per month
- Electricity 30,000 Rwf per month
- Water 6000 Rwf per month
- Repairs and maintenance 40,000 Rwf per month

- Transport costs 50,000 Rwf per month
- Telephone 40,000 Rwf per month
- Security guard 20,000 Rwf per month
- Miscellaneous expenses 10% of the total expenses
- Value added tax of 18%
- A table will be sold at 200,000 Rwf and a chair 100,000 Rwf.

Required: Prepare a budget for Celine Uwera's workshop.

Answer:

Celine Uwera's budget.

Expenses	Amount	Income	Amount
Purchase of boards	7,500,000	Sales of tables	20,000,000
varnish and accessories	800,000	Sales of chairs	10,000,000
workers	3,000,000		
Workshop rent	500,000		
Electricity	150,000		
Water	30,000		
Repairs and maintenance	200,000		
Transport	250,000		
Telephone	200,000		
Security guard	100,000		
Total expense	12,730,000		
Miscellaneous expenses	1,273,000		
Total expense before Tax	14,003,000		
Tax (VAT)	2,879,460		
Total expenses	16,882,460		30,000,000

Miscellaneous expenses = 10% of the total expenses

$$= 12,730,000 \times 10\% = 1,273,000 \text{ Rwf}$$

Profit before tax (VAT) = Income - Expenses

$$= 30,000,000 - 14,003,000$$

$$= 15,997,000$$

Since VAT is calculated on profit, $\text{VAT} = 15,997,000 \times 18\%$

$$= 2,879,460$$

Profit after tax (VAT) = $30,000,000 - 16,882,460$

$$= 13,117,540 \text{ Rwf}$$

Q. 16 You have acquired a business loan from Bank of Kigali worth 4,000,000 Rwf; the repayment period is 4 years, at annual interest rate of 12%. You have been allowed to pay in 8 equal installments over the loan period.

Prepare a loan repayment schedule to ensure effective loan management.

Solution:

$$\text{Principal} = 4,000,000$$

$$r = 12\%$$

$$n = 4 \text{ years}$$

If 4 years has 8 installments

$$1 \text{ year has } 8/4 \text{ installments} = 2 \text{ installments} = 6 \text{ months}$$

This means that we will pay twice in 1 year.

$$\text{Annual principal amount payable} = 4,000,000 / 4 = 1,000,000$$

Since we have to pay twice in one year, every installment = $1,000,000 / 2 = 500,000 \text{ Rwf}$

$$\text{Annual interest} = 4,000,000 \times 12\% = 480,000 \text{ Rwf}$$

$$\text{Interest per installment} = 480,000 / 2 = 240,000 \text{ Rwf}$$

Loan repayment schedule

Period/Years		Laon installment amount in Rwf	Interest rate (Rwf)	Total amount (Rwf)
1	1 st installment	500,000	240,000	740,000
	2 nd installment	500,000	240,000	740,000
2	3 rd installment	500,000	240,000	740,000
	4 th installment	500,000	240,000	740,000
3	5 th installment	500,000	240,000	740,000
	6 th installment	500,000	240,000	740,000
4	7 th installment	500,000	240,000	740,000
	8 th installment	500,000	240,000	740,000
		4,000,000	1,920,000	5,920,000

Or

$$\text{Interests in each installment} = \frac{(4,000,000 \times 12\%) \times 4}{8} = 240,000 \text{ Rwf}$$

$$\text{Interests in 4 years} = (4,000,000 \times 12\%) \times 4 = 1,920,000 \text{ Rwf}$$

$$\text{Payment of each installment} = \frac{(4,000,000 \times 12\%) \times 4 + 4,000,000}{8} = 740,000 \text{ Rwf}$$

$$\text{Total payment in 4 years} = 740,000 \times 8 = 5,920,000 \text{ Rwf}$$

Or

Interest in 1 year = $(4,000,000 \times 12\%) = 480,000$ Rwf

Interests in 4 years = $(4,000,000 \times 12\%) \times 4 = 1,920,000$ Rwf

Principal = 4,000,000 Rwf

Total amount to be paid = $4,000,000 + 1,920,000 = 5,920,000$ Rwf

Payment of each Installment = $5,920,000 / 8 = 740,000$ Rwf

Note: It is better to use the table when solving the similar question.

END

ENTREPRENEURSHIP EXAMINATION PAPER 2014
SECTION A

1. Differentiate between mobile banking from Ordinary banking.
2. Suggest any two benefits of trade between Rwanda and Uganda.
3. In the past, Rwandans wrote letters to their friends and sent them by post.

Explain why using this method has been minimized in favour of other methods, and identify two of these other methods.

4. a) What is meant by "endorsement of a cheque" and what is its purpose?
b) Explain any two reasons for dishonouring a cheque.
5. Give two reasons why communication is important in business.
6. Explain the difference between reports, memos and letters.
7. Give two cases where the Rwanda Revenue Authority may use sanctions or penalties against a tax payer.
8. a) Explain the importance of accounting records.
b) In Rwandan law, how long should accounting records be kept before they are put away in archives?