

Financial Management: Module 7
Self-Assessment

Instructions: The self-assessment is designed to determine your understanding of the information presented in this module. After reading the material answer the following questions. Use the scoring key at the end to gauge your understanding of the topic.

Explain the Nature of Accounting Systems

1. List three types of commonly used financial reports. (3 points)

Match the terms in the right-hand column with their correct definition. (1 point each)

- | | |
|---|--------------------------|
| _____ 2. Resources owed to other parties | A. Income statement |
| _____ 3. Statement showing cash movement | B. Revenue |
| _____ 4. Value of resources used in the delivery of goods and services | C. Expense |
| _____ 5. Statement of financial performance during a given period | D. Balance sheet |
| _____ 6. Resources owned by an organization | E. Assets |
| _____ 7. Statement showing financial position of organization at a certain date | F. Capital |
| _____ 8. Provides information for planning and control | G. Liabilities |
| _____ 9. Contributions by members to the organization | H. Cash flow statement |
| _____ 10. Value of goods and services delivered to the customer | I. Financial accounting |
| | J. Management accounting |

Data Collection and Recording in the Accounting Records

11. Fill in the blank spaces to define the accounting equation. (3 points)

_____ = _____ + _____

True or False:

- _____ 12. Financial data is based on actual economic activities.
- _____ 13. Data that is recording need not have documentary evidence.
- _____ 14. The accounting equation is the bases for the balance sheet.
- _____ 15. Each activity has its own unique record called an account.
- _____ 16. Assets are decreased by debit entry.
- _____ 17. Liabilities are increased by debit entry.
- _____ 18. Capital is increased by credit entry.
- _____ 19. Revenue is decreased by debit entry.
- _____ 20. Expenses are increased by credit entry.
- _____ 21. Every transaction affects two accounts.

Perform the Accounting Functions for General Ledger Transactions

Match the term in the right-hand column with the appropriate description. (Note: the term can be used more than once.)

- | | |
|---|--------------------|
| _____ 22. Main book of accounts | A. General journal |
| _____ 23. Original book of entry | B. General ledger |
| _____ 24. Specific information that relates to a particular item | C. Trail balance |
| _____ 25. List of all balances brought forward under each account | |
| _____ 26. Source documents include invoices receipts, and contracts | |

Prepare Simple Financial Statements

27. List the two financial statements ordinarily prepared for non-profit organizations. (2 points)

Perform the Accounting Functions for Cash

True or False:

- _____ 28. A cash book should be maintained to ensure the security of cash activities.
- _____ 29. A bank reconciliation statement is used to keep track of cash expenditures.
- _____ 30. The first step in preparing a bank reconciliation statement is to identify transactions that appear in both the cash book and the bank statement.

Manage Finances of a New Venture

Match the type of bank account in the right-hand column with the appropriate description. (Note: they type of bank account can be used more than once.)

- | | |
|--|--------------------|
| _____ 31. Expensive account | A. Savings account |
| _____ 32. Income can be deposited directly | B. Current account |
| _____ 33. Interest is paid on credit balance | |
| _____ 34. Linked to a cheque book | |
| _____ 35. No overdraft facilities | |

True or False

- _____ 36. Interest rate is the rate of compensation agreed upon by borrowers and lenders.
- _____ 37. The central bank controls money supply through monetary policy.
- _____ 38. Lower interest rates result in greater financial risk for organizations that borrow money.
- _____ 39. An organization increases its value by keeping the cost of capital as low as possible.
- _____ 40. The purpose of financial analysis is to verify financial statements.
- _____ 41. Strategic planning is another term for short-term planning.
- _____ 42. An example of a short-term plan is an annual budget.
- _____ 43. Financial planning allows management to anticipate events.
- _____ 44. Working capital refers to the money needed to start a business.

- _____ 45. Proper management of cash flow is vital for an organization to survive.
- _____ 46. Key sources of long-term financing are accounts payable and accruals.
- _____ 47. In responsibility accounting managers are held accountable for their areas of responsibility.

48. List four types of responsibility centres. (4 points)

_____	_____
_____	_____

49. List four categories of costs. (4 points)

_____	_____
_____	_____

Match the term in the right hand column with the appropriate example.

- | | |
|--|------------------------|
| _____ 50. Loans with a maturity exceeding one year | A. Fixed assets |
| _____ 51. Accounts payable, wages and salaries payable | B. Current assets |
| _____ 52. Inventory, accounts receivable and cash | C. Long-term debt |
| _____ 53. Land, buildings and equipment | D. Current liabilities |

54. List five types of ratios used to analyze business performance. (5 points)

_____	_____
_____	_____
_____	_____

Scoring Key

Give yourself 1 point for each correct answer then fill in your total score below.

(1) Income statement, balance sheet, cash flow statement; (2) G; (3) H; (4) C; (5) A; (6) E; (7) D; (8) J; (9) F; (10) B; (11) Assets = capital + liabilities; (12) True; (13) False; (14) True; (15) True; (16) False; (17) False; (18) True; (19) True; (20) False; (21) True; (22) B; (23) A; (24) B; (25) C; (26) A; (27) Income and expenditure account, balance sheet; (28) True; (29) False; (30) True; (31) B; (32) A; (33) A; (34) B; (35) A; (36) True; (37) True; (38) False; (39) True; (40) False; (41) False; (42) True; (43) True; (44) False; (45) True. (46) False; (47) True; (48) Cost centre, revenue centre, profit centre, investment centre; (49) Manufacturing costs, administration costs, research and development costs, marketing costs; (50) C; (51) D; (52) B; (53) A; (54) Liquid rations, asset management ratios, debt management ratios, profitability ratios, investor ratios.

TOTAL SCORE: _____

(Number of correct answers)

Interpret your score:

62-69 points: You have a good to excellent understanding of the material.

55-61 points: You have a good understanding of the material but should review the information related to the questions that you answered incorrectly.

48-54 points: You have an average understanding of the material and should carefully re-read the sections that contain the questions you answered incorrectly.

≤47 points: You have an inadequate understanding of the material. Repeat this module before proceeding.

NOTE: The material in this module is intended to provide general principles and guidelines for those working in NGOs and CBOs. To be effective, the reader must also understand national and local rules, regulations, customs, and practices that pertain to his or her specific organization and country of operation..