**FINANCIAL STATEMENTS**

1. Margin = G.P = Sales – Cost \*

 Sales Sales

20 S = S – (160,000 + 1800,000- 200,000)

100 S- 1q,1760,000

80 S = 1,1760,000

100

S = 17600X 100

 ***80***

***2. The following balances were r extracted from the books of Masai retailers on 14th July 2000***

***Prepare the trading account for the period ended 14th July 2000***

 ***Masai net trading account for the year ended 14th July 2000***

|  |  |  |
| --- | --- | --- |
| Opening stock |  30 000 | Sales 1 000 000  |
| Purchases 800 000 |  | (Less) return inwards 20 000 |
| (less) return 15 000 | 785 000 | Net sales 980 000 |
| G.A.S | 815 000 |  |
| Closing stock  |  80 000 |  |
| C.O.S | 735 000 |  |
| Gross profit | 245 000 |  |
|  | 980 000 |  980 000 |

Mark up=GP/COS X100=20

1/5-1= ¼ x25=GP/980 000

=25X980 000/100

=Sh.245 000

***3. Margin;***

G.P X 100

 Net sales

 90,000 x 100=33 1/3

 270,000

R.O.S.T. = Cost of goods sold

 Average stock

 = 180000

 115,000

 =1.6 times

***4. Average stock 120,000***

ROSTO = 3times

 (a) From ROSTO = cost of sales = COS

 Average stock 120,000

3 = COS

 120,000

 \COS = 120,000 x 3 = 360,000

(b) From margin, Mark up = 1 = 1

 4 – 1 3

 1 = GP

 3 COS

1 = GP = 3GP = 360,000

3 360,000

 GP = 120,000

 \Gross Profit = Shs. 120,000

(c) From margin = ¼ = GP

 sales

Sales = 4 x 120,000

Sales = 480,000

5. Bondo traders

 Trading account

 For the year ended 31 Dec 2004

|  |  |
| --- | --- |
| Opening 2 000Purchases 46 000 48 500Less closing stock 1 500 49 000G P c/d 9 400 56 400 | Sales 56 400 56 400 |

6. -External borrowing e.g. from IMF and World Bank

* + Solicit for foreign grants/donations/aids from donor countries
	+ Reduce government expenditure through cost-cutting measures
	+ Sale and lease back of public assets
	+ Introducing new taxation of selected goods

7.

 Half Bilha Traders

 Profit and loss Account

 For the month ended 30th Sep, 2009

|  |  |
| --- | --- |
| Cost of sales 150000 Gross profit c/d 50000 300000ExpensesCarriage outwards 12000Bad debts 30000Wages 25000Rent 15000Net profit 74000 156,000 | Net sales 300000  300000Gross profit b/d 150000Discount received 6000 156000Net profit 74000 |

8. (a) Gross profit

Mark up = G.P = 2

 cost of sales 3

Margin = 2/2+ 3 = 2/5

h.p = 2/5 x 5,400,000 = 2,160,000

(b) Cost of sale = sales – G.P

 5,400,000 – 2,160,000 = 3,240,000

P

(c) Net profit = G.P – Expenses

 = 2,160,000 – 800,000 = 1,360,000

9. ***The following information relates to Mandu enterprises limited***

 ***Stock (1.1.2009) 40000***

 ***Stock (31.1.2009) 60000***

 ***Purchases 500000***

 ***Margin 20%***

 ***Prepare Mandu Enterprises Limited Trading account for the year ended 31st December, 2009***

 MANDU ENTERPRISES LIMITED TRADING AND ACCOUNT

 For the period ended 31st Dec, 2009

|  |  |
| --- | --- |
| Dr ShsOpening stock 40000Add purchases 500000COGAS 540000Less closing stock 60000COGS 480000Gross profit 20000  600000 |  Cr Shs.Sales 600000 600000 |

 ***Margin to mark up***

 20% or 1/5 = 1/5-1 = ¼

\ Gross profit = ¼ x 480000 = 120,000

***10.*** a) Working capital

 = current assets – current liabilities

 = 320000 – 99000 = 221000

 b) Return on capital

 = NP x 100

 Capital invested

 = 95000/525000 x 100 = 18.09%

***11.*** Mark- up = G.P x100

 Cos

10%=G.P X100

 96,000

GP=9,600

Sales=Cost +G.P = 96,000+9600=105,600

 Atis

 Trading and loss account

 For the month ending 30-6-2008

Opening stock 22,000 Sales 105,600

Add purchases 100,000

Co GAS 122,000

Less c.s 26,000

Cos 96,000

G.P c/d 9,600

 105,600 105,600

 BAL b/d 9,600

***12.*** SHAH TRADERS

 Trading account for the period trading 30th June 2010

|  |  |
| --- | --- |
| Opening stock 65000 | Sales 280000 |
| Add purchases 190000 | Less sales returns (4200) |
| Less purchases returns (10000) 180000 |  275800 |
| Goods available for sale 245000 |  |
| Less closing stock 70000 |  |
| Cost of sales 175000 |  |
| Gross profit c/d 100800 |  |
|  275800 |  275800 |
|  | Gross profit b/d 100800 |

13.

 Chombo wholesalers

 Trading A/C for the year

 Ending 31st Dec, 2009

|  |  |
| --- | --- |
| Opening stock 80000Add purchases 320000Goods available for sale 400000Less closing stock 40000Cost of sales 360000 Gross profit c/d 140000 500000 | Sales 500000 500000Gross profit b/d 140000 |

 a) Margin = G.P X 100

 sales

 = 140000 X 100

 500000

 =28%

 b) Current ratio = Current assets : current liabilities

 Current asset = 40000 + 140000 = 180000

 Current liabilities = 90000

 180000 : 90000

 2:1

 c) Rate of stock turnover = cost of sale Average stock = 80000 + 40000

 Average stock 2

 = 360000 = 60000

 60000

 = 6 times

14. i) Sales for the year

Mark up = GP X 100

 COGS

1. = 100,000 x 100

 COGS

COGS = 100,000 X 100

 25

COGS = kshs. 400,000

But sales = COGS + GP

 = 400,000 + 100,000 = kshs. 500,000

 ii) Rate of stock turn over

Rates of stock turn over COGS

 Av

Average stock = opening stock + closing stock

 2

Closing stock = purchases + opening stock -COGS

 = 400,000 + 40,000 – 400,000

 = Kshs. 40,000

**FINANCIAL STATEMENTS**

***1. Mark up = GP***

 ***Cost of sales***

¼ = GP

 60,000

4GP = 60,000

GP = 15,000.

1. ***Net sales = Cost of sales + gross profit***

 60,000 +15,000 =75,000

1. ***Average stock : stock turn = cost of sales***

 ***Av. stock***

5/1 + 60,000

 AV

5AV + 60,000

AV = 12,000

1. ***Opening stock .***

AV = op.st + cl.stock

 2

24,000 = 8000 + op stock

Op.stock = 16,000

 ***iv) Cost of sales***

op.st + p – cls

60,000 = 16,000 + p – 8000

Purchases = 42,000

***2.*** Vumilia Traders

 Trading, profit and loss account

 For the year ending 31st December 2006.

Opening Stock 25,000 Sales 120,000

Add. Purchases 45,000

 70,000

Add. Carriage on purchases 1,200

Cost of good sold 71,200

Less. Closing stock 25,000

Cost of sales 46,200

Gross profit c/d 73,800

 120,000 120,000

Expenses

Carriage on sales 2,000 Gross profit b/d 73,800

Discount allowed/ 3,400 Add: Dis received 1,950

Insurance paid 5,900

Less Prepaid 900

 5,000

Salaries 12,450

ADD Outstanding salaries 450

 12,900

Machinery 12,800

Total Expenses 36,100

Net profit c/d 39,630

 75,730 75,730

Vumilia Traders

 Balance sheet

 AS AT 31st December 2006

 Machinery 128,000 Capital 125,000

LESS Deprec 12,800 Add. Net Profit 39,630

 115,200 164,630

Stock 25,000

Insurance prepaid 900

Debtors 25,000 creditors 15,500

Bank 14,500 outstanding salaries 450

 180,600 180,600

***3.*** Mapato Traders Balance sheet

 As at 31st dec 2009

Fixed assets

Land and building 300 000 capital 422 930

Furniture and fittings 51 500 +net profit 220 500

Machinery 140 000 643 430

Motor vehicle 190 000 -drawings 175 000

 681 500 468 430

Current assets long term liabilities

Stock 124 500 mortgage loan 30 000

Debtors 103 650 bank loan 400 000

Cash at bank 54 850 430 000

Cash at hand 3650 current liabilities

 286 650 creditors 99 730

 968 150 968 150

***i) Working capital***

Working capital=current assets-current liabilities

 CA=stock+ debtors+ cash in hand+ cash at bank

 =124500 +103650 +54850 +3650 =sh 286650

 CL=creditors=99720

∴W.C=286650-99720 = sh 186,920

***ii) Return on capital***

Return on capital=net profit x 100

 Capital invested

 =220500 x 100

 422930

 =52%

iii) Current ratio

iv) Capital employed

 Capital employed=capital owned +long liability

 =468430+400000 = 868430

 Or

 =fixed assets + working capital

 =481500+186930 =868,430

***v) Borrowed capital***

 Borrowed capital=long term liabilities

 =mortgage loans +bank loan

 =300000+100000 =sh 400000

Chunga Traders

 Profit & Loss A/C

 For the Period Ending 31/12/2000

 Kshs Kshs

 Salary 20,000 Gross profit 80,000

 Rent 12,000 Discount received 4,000

 Electricity 3,000 Commission received 6,000

 Net Profit 55,000

 90,000 90,000

Chunga Traders

Balance Sheet

As At 31/12/2000

 Kshs. Kshs.

 Capital - 395,000

 Fixed Assts 350,000 + Net Profit 55,000

 - Drawings 50,000

 Cash 60,000 Closing Stock 400,000

 Debtors 20,000 Bank overdraft 10,000

 Stock 30,000 Creditors 50,000

 460,000 460,000

 ***(i) Working Capital = CA - CL***

 = 110,000 – 60,000 = 50,000  ***(ii) C. Employed = FA + WC***

 = 350,000 + 94,000 = 444,000

***5.***

|  |
| --- |
| Nyamaiya Traders Profit & Loss Account for the year ended 31st May 2009 |
| Depreciation: Equipment 180,000 Furniture 43,500Power & lightning 24,000General expenses 240,000Increase in provision for bad debts 500Discounts allowed 29,000Net profit c/f 83,000 | Gross profit 400,000Commission received 170,000Less: Advance 10,000 160,000Discounts received 40,000 |
|  600,000 |  600,000 |

|  |
| --- |
| Nyamaiya Traders Balance sheet as at 31st May 2009 |
| Fixed assetsEquipment 900,000LESS: Depreciation 180,000 720,000 Furniture 500,000LESS: Depreciation 108,500 391,500Current AssetsStock 35,000Debtors 350,000LESS: Provision 3,500 346,500 Cash in hand 150,000 | Capital 1,000,000ADD: net profit 83,000 1,083,000Current liabilitiesAdvance commission received 10,000Creditors 550,000 |
|  1,643,000 |  1,643,000 |

***6.***  Margin = G II GH2 = if margin = 40 2

 100 5

 Them mark up = 2 = 2

 5-2 3

(i) 40 = GII

 100 270,000

 GP = 40 X 270,000

 100

 = 108,000

(ii) Net Profit = GP – Expenses

 = 108,000 – 40,000

= 68,000  ***(iii) Average Stock***

R.O.S.T = Cost of Sales

 Average Stock.

 6 = 162,000 Average Stock. = 162,000 = 27,000

 Average Stock. 6

Mark = GP

 Cost of sales

= 108,000 X 100 = 66.6 % 162,000

***7. Omollo’s traders for the year 2006***

(i) Gross profit

Margin = Gross profit

 Net sales

40% = G. p

 270,000

Margin= 2 = G. p

 5 270,000

5GP 2 x 270,000

 5 5

GP = Shs.108,000

***(ii) Cost of goods sold= sales – cost of goods sold***

Cost of sales = 270,000 – 108,000

Cost of sales = shs.162,000

***(iii) Net profit= Gross profit – Expenses***

*Cost of sales = 108,000 – 40,000*

 *N.P = Shs.68,000*

***(iv) Average stock***

***Rate of stock turnover = cost of sales***

 ***Average stock***

 6 = 162,000

 A.S

A.S = 162,000

 6

A.S= shs.27,000

***8. a) (i) Cost of sales***

R.O.S.T.O = G.O.S/A.S

 Firm x

 6.4 = COS/AV  \_\_\_\_\_\_\_\_ 6.4 = COS/8000

 COS = 8000 x 6.4 = Shs.51, 200

 Firm y

 6.5 = COS/7000

 COS = 7000 x 6.5 = 45,500

 ***ii) Gross profit***

 ***Mark up = Gross profit***

 ***Cost of sales***

 ***Firm X***

20/100 = G.P/51,200

 G.P = 20 x 51200

 100

 G.P = 10,240

***Firm Y***

20/100 = G.P/45500

 G.P = 20 x 45500

 100

 = 9100

 ***iii) Rate of return on capital = Net profit x 100***

 ***Capital***

 Firm X = 4608/30720 x 100 = 15%

 Firm Y = 4914/24570 x 100 = 20%

***9.***

|  |
| --- |
| LADOPHARMA CHEMISTTRADING RPOFIT AND LOSS A/CFor the year ended 30th June 2008 |
|  Shs.Opening stock 23,910Purchase 92,100Returns outwards 307 91,973Carriage inwards 215 115,918Slowing stock 27,475Cost of sales 88,443Gross profit c/d 41,907 130,350Carriage outwards 309Moor expenses 1,630Rent 2,970Telephone charge 405Wages 12,810Insurance 492Office expenses 1,377Sundry expenses 284Net profit c/d 21,630 41,907 |  Shs.Sales 130,900Return inwards 550 130,350Gross profit b/d 41,907 41,907 |

|  |
| --- |
| LODAPHARMA CHEMISTBALANCE SHEETAs at 30th June 2008 |
| Capital 30,955Net profit 21,630 52,630Drawings 8,420 44,165Current liabilitiesCreditors 9,370  53,535 | Fixed assetsEquipment 6,250Motor vehicle 4,100 10,350Current assetsStock 27,475Debtors 12,300Bank 3,115Cash 295 43,185 53,535 |

***10.***

JAO TRADERS

 TRADING AND PROFIT & LOSS ACCOUNT

 FOR THE YEAR ENDING 31/12/2008

|  |  |
| --- | --- |
| DR |  CR |
| Opening stock 60000Add purchases 161000Add carriage 11000 172000Less returns out (25000) 147000G.A.F.S 207000LESS closing stock (72000)Cost of sales 135000Gross profit c/d 46000 181000 ExpensesDiscount allowed 2000Salaries 20000Tel charges 5000Less prepaid 1000 4000Water bills 2100Add accrued 1300 3300Electricity expenses 2000Carriage out 10000Insurance paid 1000Dep on equil (10/100 x 125000) 12500 54800Net loss b/d 800 | Sales 208000Less returns in 27000 181,000 181000 Gross profit 46000 Discount rec 8000Net loss c/d 800 54800 |

***11. The following trial balance relates to JOKOBURA STORES***

 DR CR

 JAKOBURA TRADERS

PROFIT AND LOSS A/C FOR THE YEAR ENDED 31/12/006

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | SHS | SHS |  | SHS | SHS |
| Opening stock |  | 48 000 | sales |  | 425 000 |
| purchases |  | 344 500 |  |  |  |
| Cost of goods available for sales |  | 392 500 |  |  |  |
| Less closing stock |  | 52 500 |  |  |  |
| Costs of goods sold |  | 340 000 |  |  |  |
| Gross profit c/d |  | 85 000 |  |  |  |
|  |  | 425 000 |  |  | 425 000 |
| salaries | 45200 |  | Gross profit b/d | 85 000 |  |
| Add general expanses accrued | 1200 | 46 400 | commission | 42 800 |  |
| electricity | 15240 |  |  |  |  |
| Less drawing | 340 | 15 080 |  |  |  |
| depreciation |  |  |  |  |  |
| Motor vehicles 150000x25/100 |  | 37 500 |  |  |  |
| Furniture 30000x7/100 |  | 2 100 |  |  |  |
| Equipment(55200-48576) |  | 6624 |  |  |  |
| Net profit c/d |  | 20096 |  |  |  |
|  |  | 127 800 |  | 127800 |  |

***12. The following information relates to Odongo Traders for the year ended 31.Dec 2008.***

***i) A balance sheet as at 31st Dec. 2008***

Odongo traders

 Balance sheet as at 31st Dec 2008

|  |  |
| --- | --- |
| F.ALand 50,000Machinery 20,000M/vehicles 30,000 100000Current assetsStock 10,000Debtors 6,000Cash at bank 10,000Cash at hand 2,000 28,000  128,000 | Capital 94,000Less drawings 4000 90,000Long term liabilities10yrs loan 20,0005yrs AFC loan 10,000 30,000Short term loanCreditors 6000Expense occurred 2,000√ 8,000  128,000 |

***ii) calculate-Borrowed capital = long term liabilities***

= 20,000+10,000

 = 30,000-current ratio

***Current assets : current liabilities***

28,000:8000

 28:8

 7:2  *-capital owned*

***C =A-L***

 = 128,000-38,000 = 90,000

 ***Or***

***Capital-drawings***

94,000-4000=90,000

***13.*** BOSONGO WHOLESALERS Trading, profit and loss Account

 For the year ended 30th June 2008

 SHS SHS SHS SHS Opening stock 400 Sales 7000

Add purchases 3500 Less sales returns 150 6850

Less purchases returns 200 3300

 3700

Less closing stock 500

Cost of sales 3200

Gross profit c/f 3650

 6850 6850

Discount allowed 90 Gross profit b/f 3650

Insurance 210 Discount received 80

Net profit c/f 3530 Rent received 100

 3830 3830

***BOSONGO WHOLESALERS***

Balance sheet As at 30th June 2008

Fixed assets SHS SHS SHS SHS Furniture fitting 2000 Capital 13870

Motor vehicles 15000 17000 Add N.P 3530

 17400

Current assets Less drawings 600 16800

Stock 500

Debtors 800 1300 Current liabilities

 Creditors 1200

 Bank overdraft 300 1500

 18300 18300