**27.- FINANCIAL STATEMENTS**

***The topic entails:***

* **Explaining the meaning of a financial statement and identifying basic financial statements and discuss purpose of each.**
* **Prepare basic financial statements as per the relevant formats.**
* **Discuss the various types of capitals and their implication on performance of business**
* **Identify basic financial ratios and compute the various ratios form financial statements**
* **Discussing the importance of each financial ratio.**

1. The following information was extracted from the books of Klub traders

 Kshs.

 Opening stock 160,000

 Closing stock 200,000

 Purchases 1,800,000

 Margin 20%

 ***Calculate klubs sales***

2. The following balances were extracted from the books of Masai retailers on

14th July 2000

**Shs.**

Opening stock 30 000

Purchases 800 000

Closing stock **?**

Sales 1 000 000

Return inwards 20 000

Return outwards 15 000

 Maasai retailers sell goods at a mark up of 20%

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

3. The following account balances were obtained from Omenda traders on 31st December 2002

**Kshs.**

Stock (1/1/2002) 120,000

Purchases 170,000

Return inwards 30,000

Stock (31/12/2002) 110,000

Sales 300,000

***Calculate:* (i) Margin (ii) Rate of stock turn over**

4. The following information relates to Kafupi business enterprise:-

Average stock Shs.120,000

Rate of stock turnover 3 times

Margin 25%

***From the data above, determine***;

(a) The cost of goods

(b) Gross profit

(c) Sales

5. The following information was extracted form the books of Bondo Traders as at 31st Dec. 2004

Opening stock 2,500

Purchases 46,000

Closing stock 1,500

Mark up 20%

**Prepare a trading account**

6. Identify **four** methods that a government can use to finance a national budget deficit

7. The information below relates to Half-Bilha Traders for the year ended 30th September 2009;

Net sales 300,000

Cost of sales 150,000

Bad debts 30,000

Wages 25,000

Discount received 25,000

Rent 6,000

Carriage inwards 18,000

Carriage outwards 12,000

 ***Prepare a profit and loss account for the business***

8. The following information related to Virusi Trader for the year ended June 28th 2009

 **Shs**

Sales 5 400 000

Expenses 800 000

Mark up ration 2:3

Stock turnover ratio 6times

***Required:-***

 Calculate: i) Gross profit

ii) Cost of sales

 iii) Net profit

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***

10. The following balances were extracted from the books of Wanga traders as at 30th June,2009

 Current assets 320000

 Capital 525000

 Net profit 95000

 Creditors 88200

 Accrued expenses 10800

***Calculate***: a) Working capital

 b) Return on capital

11. The following relates to Atis traders

 Stock (1-7-2007) shs. 22,000

 Purchases 100,000

 Mark –up 10%

 Stock (30-6-2008) 26,000

***Prepare her trading account***

12. The following balances were extracted from the books of Shah Traders on 30th June, 2010

|  |  |
| --- | --- |
|  | Shs |
| Opening stock | 65,000 |
| Sales | 280,000 |
| Purchases | 190,000 |
| Purchases returns | 10,000 |
| Sales returns | 4,200 |

Closing stock was Kshs. 70,000 as at 30th June, 2010. Prepare the trading account for the period

ended 30th June, 2010

13. The following balances were extracted from the books of Chombo wholesalers for the year

ended 31st December, 2009

|  |  |
| --- | --- |
|  | Kshs. |
| Sales | 500,000 |
| Purchases | 320,000 |
| Opening stock (1:1:2009) | 80,000 |
| Closing stock (31:12:2009) | 40,000 |
| Debtors | 140,000 |
| Creditors | 90,000 |

***Calculate;-*** a) Margin b) Current ratio

 c) Rate of Stock turnover

14. The following information was obtained from Maganda Enterprises for the year ended

 31st Dec 2003:-

Opening stock kshs. 40,000

 Purchases kshs. 400,000

 Gross profit kshs. 100,000

 Goods were sold at a marked-up of 25%

***Required;***

Calculate: i) Sales for the year

ii) Rate of stock turn over

**27. FINANCIAL STATEMENTS**

1. The following information was extracted from Jaribu traders on 31st December 2009

 Stock turnover 5

 Mark up 25%

 Cost of sales 60,000

 Closing stock 8,000

***Required:*** i) Net sales

 ii) Average stock iii) Opening stock iv) Net purchases

2. The following trial balance was extracted from Vumilia traders as 31st December 2006

 **Dr Cr**

Capital 125,000

Purchases 45,000

Carriage on sales 2,000

Stock 25,000

Sales 120,000

Carriage on purchases 1,200

Insurance 5,900

Salaries 12,450

Discount allowed/ Discount received 3,400 1,950

Debtors/creditors 25,000 15,500

Bank 14,500

Machinery 128,000

 262,450 262,450

 **Additional information:**

-closing stock 25,000

-Outstanding salaries 450

-Insurance 900 has been paid in advance

-Depreciate machinery by 10% on cost

 ***Required***: i) trading, profit and loss a/c

 ii) Balance sheet

3. The following balance sheet was prepared by the accounts clerk of Mapato traders:-

 **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

***Requirements:***

Calculate the following

i) Working capital ii) Return on capital iii) Current ratio iv) Capital employed v) Borrowed capital

4. The following information was extracted from books of Chunga Traders for the period ending

 31/12/2000:-

Fixed assets – 350,000

Drawings – 50,000

Creditors – 50,000

Cash – 60,000

Discount received 4,000

Rent – 12,000

Bank overdraft – 10,000

Debtors – 20,000

Stock (31/12/2000)-30,000

Commission received – 6,000

Gross profit – 80,000

Electricity – 3,000

Stock (11/1/2000) – 50,000

Salaries – 20,000

(a) ***Prepare****:-* (i) Their profit & loss account

5. The following graph shows a shift in demand from D0D0 to D1D1

 (i) State **four** possible reasons for the above shift

 (ii) Their balance sheet

5. The following balances were extracted from the books of **Nyamaiya Traders** on

 31st May 2009:-

***shs.***

Gross profit 400,000

Equipment 900,000

Furniture 500,000

Provision for depreciation on furniture 65,000

Power & lighting 24,000

Commission received 170,000

Stock (31.05.09) 35,000

General expenses 240,00

Debtors 350,000

Provision for bad debts 3,000

Creditors 550,000

Discounts allowed 29,000

Discounts received 40,000

Cash in hand 150,000

**Additional information**

(i) Depreciation to be provided as follows: – Equipment 20% on cost

 – Furniture 10% on book value

(ii) Adjust provision for bad debts to shs.3500

(iii) Commission received in advance amounted to shs.10,000

***Required: Prepare:-*** (i) Profit and loss account for the year ended 31st May 2009 (ii) Balance sheet as at 31st May 2009

6. The following trial balance was extracted from the books of Fula Traders on Dec. 31, 2005

**FULA TRADERS**

**TRIAL BALANCE**

**AS AT DEC. 31, 2005**

|  |  |  |
| --- | --- | --- |
|  | **Dr.** | **Cr.** |
| **Shs.** | **Shs.**  |
| SalesGeneral expensesRent expensesCommission receivedMotor vehicleFurnitureCashCreditorsDebtorsPurchaseSales returnscapital | 60,00010,000600,000240,00050,000120,000400,00020,000**1,500,000** | 600,00020,000180,000700,000**1500,000** |

 **Additional information**

 I. Stock at Dec. 31, 2005 was valued at shs.60,000

 II. Depreciation to be provided as follows:

 (a) Motor vehicle 20% per annum on cost

 (b) Furniture 10% per annum on cost

***Required:-***

 (i) Trading profit and loss account for the year ended Dec. 31, 2005

 (ii) Balance sheet as at Dec. 31, 2005

7. The following information relates to Joy Traders for the year ended Dec. 31, 2006

 Turnover 270,000

Margin 40,000

Rate of stock turnover 6times

Expense 40,000

***Calculate:*** (i) Gross profit (ii) Cost of sales (iii) Net profit (iv) Average stock (v) Mark –up

8. The following information relates to Kipgaa traders for the year 2006:-

**Kshs.**

Turnover 270,000

Margin 40%

Rate of turnover 6 times

Expenses 40,000

 ***From the information given above,***

***Calculate:*** (i) Gross profit

 (ii) Cost of goods sold

 (iii) Average stock

9. (a) Two firms **X** and **Y** engage in similar lines of business had the following records in 2009;

 **Firm X**  **Firm Y**

Average stock at cost shs.8,000 shs.7000

Rate of stock turnover 6.4times 6.5times

Average mark-up 20% 20%

Expenses shs.5,632 shs.4,186

Capital shs.30,720 shs.24,570

1. For each firm, calculate: (i) The cost of sales (ii) Gross profit (iii) Rate of return on capital

(b) Giving a reason, state the firm which is better

10. The following information relates to Ladopharma Chemist as at 30th November 2008

  **Dr (shs) Cr (shs)**

Stock (30th Nov 2007) 23 910

Capital 30 955

Drawings 8 420

Bank 3 115

Cash 295

Debtors 12 300

Creditors 9 370

Motor vehicles 4 100

Equipment 6 250

Sales 130 900

Purchases 92 100

Returns inwards 550

Carriage inwards 215

Return outwards 307

Carriage outwards 309

Motor expenses 1 630

Rent 2 970

Telephone charges 405

Wages 12 810

Insurance 492

Office expenses 1 377

Sundry expenses 284

 171 532 171,532

Stock as at 30th November 2008 was shs 27 475

***Required:*** prepare

i) The trading, profit and loss account

ii) A balance sheet as at 30th November 2008

11. The following is a trial balance of JAO traders as at 31/12/2009

 **Dr Cr**

 **(Shs) (Shs)**

Capital 170000

Opening stock 60000

Equipment at cost 125000

Purchases 161000

Sales 208000

Discounts 2000 8000

Returns 27000 25000

Salaries 20000

Telephone charges 5000

Water bills 2100

Creditors 15100

Debtors 21000

 Electricity expenses 2000

 Insurance paid 1000

 426000 426000

 **Additional information**

1. Closing stock was valued at Shs.72000
2. Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300
3. Depreciation on equipment is 10% p.a on cost
4. Carriage inwards was Shs.11000 and carriage outwards Shs.10000

 ***Prepare trading and profit loss account for the year ending 31/12/2009***

12. The following trial balance relates to Jakobura Stores

 **DR CR**

 Gross profit 85,000

 Debtors 95,500

 Motor vehicle 150,000

 Furniture 30,000

 Bank 62,000

 Stock 52,500

 Provision for depreciation on

 Motor vehicle 16,000

 Provision of depreciation on

 Furniture 2,620

 Salaries 64,000

 Building 180, 000

 General expenses 45,200

 Creditors 75,000

 Commission received 42,800

 Equipment 55,200

 Electricity 15,420

 Capital 528,400

 749,820 749,820

**Additional information**

(i) Profit margin was 20%

(ii) Stock as at 1st January was valued at Ksh. 48,000

(iii) Depreciation was provided as follows:

 (a) Motor vehicle 25% p.a on cost

 (b) Furniture 7% p.a on cost

(iv) On 31st Dec 2006, equipment was valued at Ksh. 48,576 and general expenses

outstanding were Ksh. 1,200

(v) A bill of Khs.340 which was paid for a private residence was included in the electricity

 account .

***Required:-. Prepare a trading profit and loss account for the year ended 31st Dec 2006***

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

 Land shs.50,000

 Capital shs.94,000

 Machinery shs.20,000

 Motor vehicles shs.30,000

 10 year bank loan shs.20,000

 5 year AFC loan shs.10,000

 Stock shs.10,000

 Debtors shs.6,000

 Creditors shs.6,000

 Accrued expenses shs.2,000

 Cash at bank shs.10,000

 Cash in hand shs.2,000

 Drawings shs.4,000

***Required:***

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

ii) Calculate -borrowed capital

 -current ratio

 -capital owned

14. Prepare a trading and profit and loss account for the year ended 30th June 2008 and a balance

 sheet as at date from the following trial balance;

|  |
| --- |
| **Bosongo wholesalers****Trial balance as at 30th June 2008** |
| Stock on 30/6/2007Capital and drawingsPurchases and salesFurniture and fittingsMotor vehiclesDebtors and creditorsReturnsDiscountsRentInsuranceBank  | 4006003,5002,00015,00080015090210 | 13,8707,0001,20020080100300 |
|  | 22,750 | 22,750 |

 Closing stock shs. 5.00