FINANCIAL STATEMENTS

1. Margin = G.P / Sales = 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		

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Gross profit	245 000	
	980 000	980 000

Mark up= $^{GP}/_{COS}$ X100=20

$^{1}/_{5-1}$= ¼ x25= $^{GP}/_{980\ 000}$

=25X $^{980\ 000}/_{100}$

=Sh.245 000

3. Margin;

$$\frac{G.P}{Net\ sales} \times 100$$

$$\frac{90,000}{270,000} \times 100 = 33\ 1/3$$

$$R.O.S.T. = \frac{Cost\ of\ goods\ sold}{Average\ stock}$$

$$= \frac{180000}{115,000}$$

=1.6 times

4. Average stock 120,000

ROSTO = 3times

(a) From ROSTO = $\frac{cost\ of\ sales}{Average\ stock} = \frac{COS}{120,000}$

$$3 = \frac{COS}{120,000}$$

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

(b) From margin, Mark up = $\frac{1}{4-1} = \frac{1}{3}$

$$\frac{1}{3} = \frac{GP}{COS}$$

$$\frac{1}{3} = \frac{GP}{360,000} = 3GP = 360,000$$

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GP = 120,000
∴Gross Profit = Shs. 120,000

(c) From margin = ¼ = $\frac{GP}{sales}$
Sales = 4 x 120,000
Sales = 480,000

5. Bondo traders
Trading account
For the year ended 31 Dec 2004

Opening	2 000	Sales	56 400
Purchases	46 000		
	48 500		
Less closing stock	1 500		
	49 000		
G P c/d	9 400		
	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		Net sales	300000
150000			
Gross profit c/d			300000
50000		Gross profit b/d	150000

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300000 Expenses Carriage outwards 12000 Bad debts 30000 Wages 25000 Rent 15000 Net profit 74000 156,000	Discount received 6000 156000 Net profit 74000

8. (a) Gross profit

Mark up = G.P / cost of sales = 2 / 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

(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%***

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

$$= \frac{NP}{\text{Capital invested}} \times 100$$

$= {}^{95000}/_{525000} \times 100$ = 18.09%

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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	

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Less closing stock 70000	
Cost of sales 175000	
Gross profit c/d 100800	
275800	275800
	Gross profit b/d 100800

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13.

Chombo wholesalers
Trading A/C for the year
Ending 31st Dec, 2009

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

a) Margin = $\frac{G.P}{sales}$ X 100

= $\frac{140000}{500000}$ X 100

=28%

b) Current ratio = Current assets : current liabilities

Current asset = 40000 + 140000 = 180000

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Current liabilities = 90000

180000 : 90000

2:1

c) Rate of stock turnover = cost of sale / Average stock

= 80000 + 40000 / Average stock

2

= 360000 / 60000

= 6 times

14. i) Sales for the year

Mark up = GP / COGS X 100

25 = 100,000 / COGS x 100

COGS = 100,000 / 25 X 100

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

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FINANCIAL STATEMENTS

1. Mark up $= \frac{GP}{\text{Cost of sales}}$

$\frac{1}{4} = \frac{GP}{60,000}$

4GP = 60,000

GP = 15,000.

i) Net sales = Cost of sales + gross profit

60,000 +15,000 =75,000

ii) Average stock : stock turn = $\frac{\text{cost of sales}}{\text{Av. stock}}$

$\frac{5}{1} + \frac{60,000}{AV}$

5AV + 60,000

AV = 12,000

iii) Opening stock .

$AV = \frac{\text{op.st + cl.stock}}{2}$

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.

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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	

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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

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$\therefore$W.C=286650-99720 = sh 186,920

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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

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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

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= 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 43,500 Power & lightning 24,000 General expenses 240,000 Increase in provision for bad debts 500 Discounts allowed 29,000 Net profit c/f 83,000	Gross profit 400,000 Commission received 170,000 Less: Advance 10,000 160,000 Discounts received 40,000
600,000	600,000

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

6. Margin = $\frac{G\ II}{}$ GH2 = if margin = $\frac{40}{100}$ $\frac{2}{5}$

Them mark up = $\frac{2}{5-2}$ = $\frac{2}{3}$

(i) $\frac{40}{100}$ = $\frac{GII}{270,000}$

GP = $\frac{40}{100}$ X 270,000

= 108,000

(ii) Net Profit = GP – Expenses

= 108,000 – 40,000

= 68,000

(iii) Average Stock

R.O.S.T = $\frac{\text{Cost of Sales}}{}$

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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

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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 = $\frac{20 \times 51200}{100}$

G.P = 10,240

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Firm Y

$^{20}/_{100} = {}^{G.P}/_{45500}$

$G.P = \frac{20 \times 45500}{100}$

$= 9100$

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 CHEMIST TRADING RPOFIT AND LOSS A/C For the year ended 30th June 2008	
Shs.	Shs.
Opening stock	Sales
23,910	130,900
Purchase	Return inwards
92,100	550
Returns outwards 307	130,350
91,973	Gross profit b/d
Carriage inwards	41,907
215	
115,918	
Slowing stock	
27,475	
Cost of sales	
88,443	
Gross profit c/d	

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41,907 130,350 Carriage outwards 309 Moor expenses 1,630 Rent 2,970 Telephone charge 405 Wages 12,810 Insurance 492 Office expenses 1,377 Sundry expenses 284 Net profit c/d 21,630 41,907	41,907

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LODAPHARMA CHEMIST BALANCE SHEET As at 30th June 2008					
Capital	30,955		Fixed assets		
Net profit	21,630	52,630	Equipment	6,250	
Drawings		8,420	Motor vehicle	4,100	10,350
		44,165			
Current liabilities			Current assets		
Creditors		9,370	Stock	27,475	
			Debtors	12,300	
			Bank	3,115	
			Cash	295	
					43,185
		53,535			53,535

10.

JAO TRADERS

TRADING AND PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDING 31/12/2008

DR		CR
Opening stock		Sales
60000		208000
Add purchases	161000	Less returns in
Add carriage	11000	27000
	172000	
Less returns out	(25000)	181,000
147000		
G.A.F.S		
207000		

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LESS closing stock		
(72000)		
Cost of sales		
135000		
Gross profit c/d		181000
46000		
181000		Gross profit
		46000
Expenses		Discount rec
Discount allowed		8000
2000		Net loss c/d
Salaries		800
20000		
Tel charges	5000	
Less prepaid	1000	
4000		
Water bills	2100	
Add accrued	1300	
3300		
Electricity expenses		
2000		54800
Carriage out		
10000		
Insurance paid		
1000		
Dep on equil ($^{10}/_{100}$ x 125000)		
12500		
54800		

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Net loss b/d 800	

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	

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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.A					
Land	50,000		Capital	94,000	
Machinery	20,000		Less drawings	4000	
M/vehicles	30,000	100000			90,000
Current assets			Long term liabilities		
Stock	10,000		10yrs loan	20,000	
Debtors	6,000		5yrs AFC loan	10,000	
Cash at bank	10,000				30,000

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Cash at hand	2,000	28,000	Short term loan		
			Creditors	6000	
			Expense occurred	2,000√	8,000
		128,000			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				

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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	

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		Creditors	1200
		Bank overdraft	300
1500			
	18300		
18300			

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