

# FINANCIAL STATEMENTS

## MARKING SCHEME

### 1. 1995 P1

Otwa Traders Statement of W.Capital  
As at 31<sup>st</sup> Dec. 1994

Current Asset		
Stock	4,000	
Trade debtors	2,600	
Prepaid insurance	1,400	
Cash at hand	7,500	15,500
Less current liabilities		
Bank overdraft	6,000	
Trade debtors	3,000	
Accrued red	4,000	13,000

### b) Working capital 2,500

Capital A/C			
<hr/>			
Drawing	32,000	Bal B/d	50,000
Bal. c/d	162,000	Motor Vehicle	80,000
		Net profit	64,000
	<u>194,000</u>		<u>194,000</u>
		Bal B/d	<u>162,000</u>

### 2. 1996 P1

#### i) Cost of goods sold

Opening stock + purchases – closing stock

$$35,500 + 190,550 - 25,000$$

$$= 201,050$$

$$= 201,050$$

#### ii) Percentage of gross profit to net sales

Net sales = Sales – Sales returns

$$251,250 = 256,050 - 4,800$$

G.P. = Net sales – cost of goods

$$50,200 = 251,250 - 201,050$$

$$\frac{50,200}{251,250} \times 100 = 20\%$$

$$251,250$$

### 3. 1996 P1

Current assets

Current liabilities

Stock + debtors + cash at hand

Bank overdraft + creditors

$$\frac{20,000 + 32,000 + 22,000}{12,000 + 25,000}$$

$$= \frac{74,000}{37,000}$$

$$= 2:1$$

$$= 2:1$$

$$= 2:1$$

4. **1997 P1**

Cost of goods sold  
 Goods sold = sales – margin  

$$= 60,000 - \frac{(20 \times 60,000)}{100} = 48,000$$

b) The gross profit  

$$\text{G.P.} = \frac{60,000 \times 20}{100} = 12,000$$

6. **1997 P2**

Paka Traders  
 Trading Profit and Loss Account  
 As at 31 December 1995

Dr	Kshs	Cr.	Kshs
Opening Stock	100,000	Sales	900,000
Purchases	600,000	Purchases returns	20,000
Sales Returns	80,000		
Transportation in	40,000		
	820,000		
Closing Stock (135,000)			
G.P.c/d	235,000		
	920,000		
Expenses			
Carriage out	3,000		
Rent	60,000		
Interest Expenses	18,000		
General Expenses	7,000		
N.P.C/d 147,000			
	<u>235,000</u>		
		N.P.B b/d	<u>235,000</u> <u>147,000</u>

7. **1998 P1**

Kwaso Traders  
 Profit & Loss Account  
 As at 31.8 .97

Expenses		G.P	130,800
Carriage on sale	4,700	Comm. Rec.	8,000
G. Exp.	18,200		
Insurance	4,000		
N, P. b/d	111,900		
	<u>138,800</u>	N.p/c/d	<u>138,800</u> <u>111,900</u>

8. **1998 P1**

a) 
$$\frac{240 \times 100}{1,2000,000} = 20\%$$

b)  $\frac{240,000 \times 100}{1,440,00} = 16.6\%$

Capital invested N.P x 100/CL  
 $240,000 \times 100 = 20\% = 120,000$   
 Capital employed = CE=FA + WC  
 $240,000 \times 100$   
 Capital employed = CE=FA+ WC  
 $240,000 \times 100 = 1, 444,000$   
 = WC. CA -CL  
 $74,000 - 34,000 = 40,000 = 16.6 \%$   
 C.E = 1,400, 000 + 40,000  
 = 1, 440, 000 or 17%

**9. 1999 P1**

Kiboko Enterprises  
 Trading A/C  
 For the year ended 30<sup>th</sup> June 1997

Opening Stock	65,000	Sales	280,000
Purchases	190,000	Less Sales	
Less P			
Returns 10,000	180,000	R/ns.	4,200
Goods available	245,000		275,800
Gross profit	100,800	Closing stock	
	345,800		70, 000
			345,800

**10. 1999 P1**

Rate of net profit to capital  
 Cost of sales  
 Convert margins to mark ups  
 Convert margins to mark ups  
 Convert % to fraction  
 $20/100 = 1/5$   
 Mark up –  $1/5 = 1/4$   
 Convert  $1/4$  into % = 25%  
 $\frac{G.P \times 25}{Sales \ 100} \times 345,200$

General expenses 59, 800  
 NP = GP – General expenses  
 NP = 185,800 - 9,800 = 26,000  
 Return on capital  $\frac{26,000 \times 100}{1,300, 000} = 2 \%$

**11. 2000 P1**

- If a capital as at 1/1/98 is 250,000
- Add additional capital 68,000 = 318, 000
- Capital as at 31/12/1998 = 406,000

**12. 2000 P1**

Opening stock	8,000	Sales	62,900
Add purchases	53,000		
Less R.O	2,700		50,300
Goods Available for sale	58,300		
Less Closing Stock	12,700		
Cost of sales		45,600	
Gross profit	b/d	<u>17,300</u>	
		<u>62,900</u>	<u>62,900</u>

**13. 2000 P1**

a) Cost of sale  
= sales – gross profit  
= 360 –  $\frac{(25 \times 360,000)}{100}$   
= 360,000 – 90,000  
= 270,000

b) Rate of stock turn over  
=  $\frac{\text{Cost of sales}}{\text{Average stock}}$   
=  $\frac{270,000}{\frac{[50,000 + 70,000]}{2}}$   
=  $\frac{270,000}{60,000}$   
= 4.5 times

**14. 2001 P1**

$$\begin{aligned}\text{Capital} &= \text{initial capital} + \text{net profit} + \text{additional investment} - \text{drawings} \\ &= 180,000 + 140,000 + 90,000 - 50,000 \\ &= 410,000 - 50,000 \\ &= 360,000\end{aligned}$$

**16. 2002 P1**

$$\begin{aligned}\text{Gross profit} &= \text{sales} - \text{cost of sales} \\ &= 500,000 - 280,000 \\ &= 220,000 \\ \text{Gross margin} &= \frac{220,000}{500,000} \times 100 \\ &= 44\%\end{aligned}$$

**17. 2002 P1**

Vuno Traders			
Profit and loss account for the year ended 31 <sup>st</sup> March 2001.			
Discount allowed	7,400	Gross profit	186,200
Carriage outward	13,000	Rent received	34,300
Office expenses	19,600		
Salaries	57,000		
Net profit	123,000		
	220,500		220,500

**20. 2003 P2**

Maringo Traders			
Profit and loss account as at 31 December 2001			
Dr	Kshs	Cr.	Kshs
Salaries expense	132,000	Gross profit	380,000
General expense	54,000	Comm. Received	20,000
N.P.c/d	214,000		
	400,000		400,000
	N.P. c/f 214, 000		

(ii) **Maringo Traders**  
Balance Sheet As at 31 December 2001

Dr	Kshs	Cr.	Kshs
Premises	103,000	Capital	259,000
		Net profit	214,000
C. Assets		Drawings	(83,000)
Stock	274,000	C. Liabilities	
Debtors	123,000	Creditors	93,000
Cash at bank	33,000	B loan	50,000
	533,000		533,000

**21. 2004 P2**

(i) Sarai Traders			
Trading Account As at 30 <sup>th</sup> April 2003			
Dr	Kshs	Cr.	Kshs
Opening stock	80,000	Sales	480,000
Purchases	400,000		
	480,000		
Closing stock	(120,000)		
	360,000		
N.P c/d	120,000		
	480,000		480,000

$$(ii) \text{ Rate of stock turnover} = \frac{\text{C.O.S}}{\text{Average stock}}$$

$$\text{Average stock} = \frac{80,000 + 120,000}{2} = 100,000$$

$$\text{C.O.S} = 360,000$$

$$\text{Rate of Stock turnover} = \frac{360,000}{100,000} = 3.55$$

**22. 2005 P2**

Tea Traders  
Trading, Profit & Loss Account  
For the year ending 31/12/04

	Kshs	Kshs	
Opening Stock	25,000	Sales	800,000
Add purchases	700,000		
Goods Available	725,000		
Closing stock	85,000		
Cost of sales (20/100 x 800,000)	640,000		
Gross Profit	160,000		
	800,000		800,000

**23. 2005 P1**

Molop Traders  
Profit and loss Account for the year ending 31/12/04

Expenses	48,000	Gross Profit	320,000
Lighting	7,200	Commission received	9,870
Water	9,220	Discount received	8,500
Salaries	72,500		
Discount Allowed	4,600		
General expenses	98,000		
Net Profit	338,370		338,370

Molop Traders  
Balance sheet as at 31/12/04

	Kshs		Kshs	Kshs
Fixed assets		Capital	3,000,000	
Furniture	650,000	Add profit	98,890	
Motor vehicle	2,300,000		3,098,890	
		Current liabilities		
Current assets				
Stock	25,250	Creditors	396,400	
Debtors	270,000			
Bank	200,000			
Cash	50,000			
	3,495,250		3,495,290	

24. 2006 Q18 P1

$$\begin{aligned}
 \text{(a) Margin} &= \frac{\text{G.P}}{\text{Sales}} \times 100 = \frac{500,000 - (320,000 - 80,000 - 40,000)}{500,000} \\
 &= \frac{140,000}{500,000} \times 100 = 28\% \text{ Or } 28 \\
 \text{(b) Current ratio} &= \frac{\text{CA}}{\text{CL}} = \frac{180,000}{90,000} = 2:1 \\
 \text{(c) Rate of stock turnover} &= \frac{\text{Cost of sales}}{\text{Average stock}} = \frac{360,000}{80,000 + 40,000} \\
 &= 3 \text{ times} \quad (4 \text{ marks})
 \end{aligned}$$

25. 2006 Q2b P2

**FAULA TRADERS  
TRADING, PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 ST DECEMBER, 2005**

Purchases	400,000	Sales	600,000
Less closing stock	60,000	Less sales returns	20,000
Cost of sales	340,000		
Gross profit C/D	240,000		
	580,000		
	580,000		580,000
			580,000
General expenses	60,000	Gross profit	240,000
Depreciation – motor vehicle	120,000		
-furniture	24,000		
Rent expenses	10,000		
Net profit	46,000		
	260,000		260,000
	260,000		260,000

(14 x ½) = 7 marks)

2b)

**FAULA TRADERS  
TRADING AND LOSS ACCOUNT ENDED 31 – 12 – 2005**

Purchase	400,000	Sales	600,000
Sales returns	20,000	Closing stock	60,000
Gross profit C/D	240,000		
	660,000		
	660,000		660,000
			660,000

(7 x ½ = 3 ½ marks)

**FAULA TRADERS**  
**TRADING, PROFITS AND ACCOUNT FOR THE YEAR ENDED 31.12.2005**

Sales	600,000	
Less return inwards	20,000	
Less cost of goods sold		580,000
Purchases	400,000	
Less closing stock	60,000	
Cost of sales		340,000
Gross profit C/D		240,000
Add commission		20,000
		260,000
<b><u>Less expense</u></b>		
General expenses	60,000	
Less depreciation	120,000	
Furniture	20,000	
Rent expenses	10,000	
Net profit		46,000

**FAULA TRADERS**  
**BALANCE SHEET**  
**AS AT 31.12.2005**

Motor vehicle	600,000		Capital	700,000
Less depreciation	120,000	480,000	Add net profit	46,000
				746,000
Furniture	240,000			
Less depreciation	24,000	206,000	Creditors	180,000
<b><u>Current asset s</u></b>				
Stock	60,000			
Debts	120,000			
Cash	50,000	230,000		
		926,000		926,000

**N.B**

If a candidate writes motor vehicle 480,000 and not motor vehicle less depreciation 2 ticks.

If a candidate writes furniture 216,000 and not furniture less depreciation 2 ticks.

If a candidate gets wrong net profit but correctly transfers accept.

If a candidate writes the figure for capital 740,000 give a tick

Foreign terms substitute e.g. General in Balance sheet.

(10 x ½ = 5mks)



**FAULA TRADERS**  
**BALANCE SHEET AS AT 31.12.2005**

<b><u>Fixed assets</u></b>		
Motor vehicle	600,000	480,000
Less depreciation	120,000	
Furniture	240,000	<u>216,000</u>
Less depreciation	24,000	<u>696,000</u>
 <b><u>Add current Assets</u></b>		
Stock	60,000	
Debtors	120,000	
Cash	<u>50,000</u>	
	230,000	
 <b><u>Less Current Liabilities</u></b>		
Creditors	180,000	
Working capital		<u>50,000</u>
Capital employed		<u><u>746,000</u></u>
 <b><u>Financed by</u></b>		
Cash	700,000	
Add net profit	46,000	
Capital employed		<u><u>746,000</u></u>

(10 x ½ = 5 Marks)

***Alternative***

**FAULA TRADERS**  
**BALANCE SHEET AS AT 31/12.2005**

Capital		700,000	
Add net profit		46,000	746,000
 Represented by:			
Fixed assets	Motor Vehicle	600,000	
	Less depreciation	120,000	480,000
	Furniture	240,000	
	Less depreciation	24,000	216,000
			696,000
 Add current assets			
	Stock	60,000	
	Debtors	120,000	
	Cash	50,000	
		230,000	
 Less current liabilities			
	Creditors	180,000	
	Working capital	50,000	
	Capital employed	740,000	

(10 x ½ = 5 marks)

26. 2006 Q6b P2

(i) Debtors control allows

Opening balance	400,000	Receipts/cash	1,400,000
Credit Sales	1,582,000	Returns inwards	42,000
		Balance c/d	540,000
	<u>1,982,000</u>		<u>1,982,000</u>

= Credit sales + cash sales

Therefore total sales = 1,982,000 + 250,000 = 1,832 (7x1/2 = 3 1/2 marks)

(ii) Determine total purchases

Creditors Control account

Payments/cash	200,000	Balance b/d	800,000
Balance C/D	950,000	Credit Purchases	2,150,000
	<u>2,950,000</u>		<u>2,950,000</u>

Total purchases = Credit purchase + cash purchases  
 = 2,150,000 + 320,000  
 = 2,470,000

**CHERU TRADERS**  
**TRADING ACCOUNT FOR THE PERIOD ENDED 31.12 2005**

Opening stock	920,000	Sales	1,532,000
Purchases	2,470,000	Less returns	40,000
Add carriage inwards	46,000		1,790,000
Total purchases	2,516,000	Gross loss	396,000
Less drawings	50,000		
	<u>2,466,000</u>		
Net purchases	3,386,000		
Less closing stock	1,200,000		
	<u>2,186,000</u>		<u>2,186,000</u>

6. (c) alternative I

Receipt/ cash from debtors	1,400,000
Add returns inwards	42,000
Add closing balance of debtors	540,000
	1,982,000
Less opening balance of debtors	400,000
Credit sales	1,582,000

Total sales = Kshs. 582, 000 + 250,000 = Kshs. 1,832,000 (7 x 1/2 = 3 1/2 marks)

*Alternative II*

Payment/Cash to creditors	200,000
Add closing balance of creditors	<u>950,000</u>
	2,950,000
Less Opening balance of creditors	<u>80,000</u>
Credit purchases	<u><u>2,150,000</u></u>

Total Purchases = 21,500+ 320,000= Ksh. 2, 470,00 (6 x ½ =3 marks)

*Alternative III*

Total sales	
Cash receipts	1,400,000
Add return inwards	42,000
Closing balance of debtors	54,000
Less opening balance of debtors	<u>40,000</u>
	140,000
Credit sales	<u>1, 582,000</u>
Add cash sales	<u>250,000</u>
	<u><u>1,832,000</u></u>

(7x ½ = 3 ½ marks)

**Total purchases**

Cash payments		2,000,000
Add closing balance of creditors	950,000	
Less opening balance of creditors	80,000	150,000
Credit purchases		2,150,000
Add cash purchases		320,000
		<u>2, 470, 000</u>

(6 x ½ = 3 marks)

**27. 2007 Q15 P1**

Kerubo Traders  
Trading, Profit and Loss Account

		Kshs			Kshs
Opening Stock	24,000		Sales	442,500	
Purchases	<u>370,000</u>				
	394,000				
Less: Closing Stock	<u>40,000</u>				
Cost of Goods sold	354,000				
Gross profit	<u>88,500</u>				
	<u>442,500</u>				
Carriage in	12,000		Gross Profit b/d	<u>88,500</u>	
Sales Expenses Others	8,850				
Net profit	<u>67,650</u>				
	<u>88,500</u>				<u>88,500</u>

**28. 2008 Q9 P1**

$$\begin{aligned}
 \text{(a) Working capital} &= \text{CA} - \text{CL} \\
 &= 220000 - (98200 + 11800) \\
 &= \text{Shs}110000
 \end{aligned}$$

*(4 x 1/2 = 2 marks)*

$$\begin{aligned}
 \text{(b) Return on capital} &= \frac{\text{Net Profit} \times 100}{\text{Capital invested}} \\
 &= \frac{85000 \times 100}{425000} \\
 &= 20\%
 \end{aligned}$$

*(4 x 1/2 = 2 marks)*

**29. 2008 Q10 P1**

Expenses for the year

		Expense A/c	
	Shs		Shs
Cash	85000	31 Dec 2005 Balance b/d	24000
Dec. 2006 Balance c/d	<u>30000</u>	Profit and Loss A/c	<u>91000</u>
	<u>115000</u>		<u>115000</u>

OR

	Shs
Accrued expenses 31/12/05	30000
Add cash paid	<u>85000</u>
	115000
Less: Accrued expenses 31/12/05	<u>24000</u>
	<u>91000</u>

*(4 x 1 = 4 marks)*

**30. 2009 Q16 P1**

Purchases for the year.

		Total Creditors A/c	
	12,000		balance b/d 465,000
Discount received	25,000	Purchases	1,712,000
Returns outwards	1,500,000		
Cash paid	640000		
Balance c/d	<u>2,177,000</u>		<u>2,177,000</u>

**31. 2009 Q22 P1**

(i) Capital employed = CE = FA + CA - CL

$$= 400,000 + 120,000 - 60,000 = \text{sh. } 460,000$$

$$\begin{aligned}
 \text{Return on CE} &= \frac{\text{NP}}{\text{CE}} \times 100 \quad (= \frac{100,000}{460,000} \times 100) \\
 &= 21.7\%
 \end{aligned}$$

$$(ii) \quad \text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

$$= \left( \frac{120000}{60000} \right)$$

$$=2:1$$

**32. 2009 Q5b P2**

(i) **Malamu Traders**  
For the year ended 31st Dec, 2005

<b>Expenses</b>	<b>Sh</b>		<b>Sh</b>
Discount allowed	142,000	Gross Profit	520,000
Lighting	25,200	Rent received	120,000
Interest or loan	1,200	Net loss c/d	61,930
General expenses	102,100		
Repairs on building	60,000		
Repairsorr furniture	72,030		
Repairs on motor vehicle	300,000		
	<u>702,530</u>		<u>702,530</u>

**MALAMU TRADERS**  
**BALANCE SHEET**  
**AS AT 31<sup>st</sup> DEC 2008**

	<b>Sh</b>	<b>Sh</b>		<b>Sh</b>
<b>Sh</b>				
Fixed Assets			Capital	1,400,000
Building	540,000		Less loss	6,930
				1,338,070
Furniture	408,170		loan	472,500
Motor Vehicle	900,000	948,170		
Current Assets			Current Liabilities	
Stock	72,500		Creditors	227,000
Debtors	116,900	189,400		
		<u>2037,570</u>		<u>2,037,510</u>

**150x 100**

100 50

=3 or 3

Dr		Total Debtors Account		Cr	
		<b>Sh</b>		<b>Sh</b>	
Balance b/d		120,000	Bad debts		4,200
Interest on debtors		2,000	Cash Debts		750,000
Sales		967,200	Bal. c/d		335,000
		<u>1,089,200</u>			<u>1,089,200</u>

Dr		Total Debtors Account		Cr	
		<b>Sh</b>		<b>Sh</b>	
Payments		660,500	Balance c/d		142,500
Balance		158,400	Purchases		676,400
		818,900			<u>818,900</u>
credit Purchase		676,400			
Cash Purchases		<u>135,400</u>			
		<u>811,800</u>			

33. 2009 Q6b P2

**LUNGA TRANDERS**  
**TRADING PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2007**

	Sh	Sh		Sh
Stock (1/1/07)	75,000		Sales	967,200
Purchases	811,800	886,800		
Less closing stock		136,400		
		750,400		
Gross profit c/d		<u>216,500</u>		
		<u>967,200</u>		<u>967,200</u>
Reduction equipment / depreciation	65,000		Gross profit b/d	216,800
Salaries	48,000		Bad debt received	16,000
Less prepaid	(8,000)	40,000	Interest or debtors	2,000
interest loan	30,000			
Add due	6,000	36,000		
Bad debts		4,200		
Net profit		<u>89,000</u>		
		<u>234,800</u>		<u>234,800</u>

34. 2010 Q14 P1

Matching statements on capital with types of capital

- i) Owners equity
- ii) Working capital
- iii) Borrowed capital

(3 x 1 = 3mks)

35. 2012 Q6 P1

Marigi Traders  
Trading Account  
for the year ended 30<sup>th</sup> June 2009

	Shs	Shs
Opening Stock Add	165,000	980,600
Purchases	720,000	
Cost of goods available for sale	885,000	
Less: Closing stock	100,520	
Cost of goods sold	784,480	
Gross profit ( $\frac{20}{100} \times 980,600$ )	196,120	
	980,600	980,600

*(10 x 1/2 = 5 marks)*

