

## 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 from 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 14<sup>th</sup> 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 14<sup>th</sup> July 2000**

3. The following account balances were obtained from Omenda traders on 31<sup>st</sup> 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 from the books of Bondo Traders as at 31<sup>st</sup> 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 30<sup>th</sup> 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 28<sup>th</sup> 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 31<sup>st</sup> December, 2009**

10. The following balances were extracted from the books of Wanga traders as at 30<sup>th</sup> 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
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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 30<sup>th</sup> 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 30<sup>th</sup> June, 2010. Prepare the trading account for the period ended 30<sup>th</sup> June, 2010

13. The following balances were extracted from the books of Chombo wholesalers for the year ended 31<sup>st</sup> 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;-**

- Margin
- Current ratio
- 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:

- Sales for the year
- Rate of stock turn over

## 28 - INCOMPLETE RECORDS

**The topic entails:**

- **Meaning of incomplete record, giving examples and explain how they come about.**
- **Explaining the meaning of a statement of affair and show the difference between statement of affairs and balance sheet.**
- **Preparation of statement of affairs**
- **Identifying the items used in updating the records**



6. The following extracted from the books of Mogusii Ltd. 2005

- March 1.** Credit purchases from Obwocha Sit 1200  
Agwata sh. 3,000 and Nyauamba sh.2,500
- March 5** Credit sales to Okero Sit 2,000, Michieka sh.4,300 and Omwenga sh. 1500
- March 10** Credit purchases from Onyancha Sh.2700  
Obwocha sh 6600 and Ombaki sh.3300
- “ 20** Returned goods to Obwocha sh.250 and Onyancha 703
- 26** Credit sales to Bundi sh.850. Tendu sh.630 and Okero-sh.900
- “ 30** Goods were returned by Bundi sh.150 and Michieka sh.130

**Required:** Enter the above transactions in their relevant day books

## 20. FINANCIAL STATEMENTS

1. The following information was extracted from Jaribu traders on 31<sup>st</sup> 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 31<sup>st</sup> 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	
	<u>262,450</u>	<u>262,450</u>

**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:-

<b>Mapato traders</b> <b>Balance sheet</b> <b>As at 31<sup>st</sup> dec 2009</b>			
<u>Fixed assets</u>			
Land and building	300 000	capital	422 930
Furniture and fittings	51 500	+net profit	<u>220 500</u>
Machinery	140 000		643 430
Motor vehicle	<u>190 000</u>	-drawings	<u>175 000</u>
	681 500		468 430
<u>Current assets</u>		<u>long term liabilities</u>	
Stock	124 500	mortgage loan	30 000
Debtors	103 650	bank loan	<u>400 000</u>
Cash at bank	54 850		430 000
Cash at hand	<u>3650</u>	<u>current liabilities</u>	
	286 650	creditors	<u>99 730</u>
	<u>968 150</u>		<u>968 150</u>

**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:-

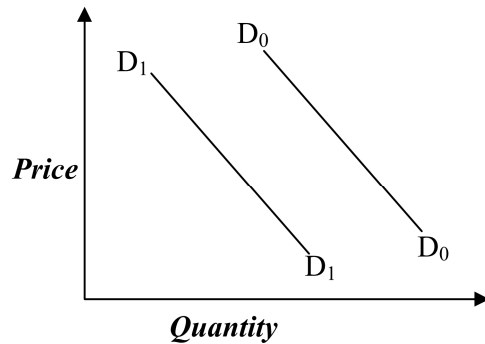
Fixed assets – 350,000  
 Drawings – 50,000  
 Creditors – 50,000  
 Cash – 60,000  
 Discount received 4,000  
 Rent – 12,000  
 Bank overdraft – 10,000  
 Debtors – 20,000  
 Stock (31/12/2000)-30,000



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  $D_0D_0$  to  $D_1D_1$



- (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 31<sup>st</sup> May 2009:-

	<i>shs.</i>
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 31<sup>st</sup> May 2009

(ii) Balance sheet as at 31<sup>st</sup> 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.
Sales		600,000
General expenses	60,000	
Rent expenses	10,000	
Commission received		20,000
Motor vehicle	600,000	
Furniture	240,000	
Cash	50,000	
Creditors		180,000
Debtors	120,000	
Purchase	400,000	
Sales returns	20,000	
capital		700,000
	<u>1,500,000</u>	<u>1500,000</u>

**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:-

	<b>Kshs.</b>
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;

	<b>Firm X</b>	<b>Firm Y</b>
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

- (a) 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 (30 <sup>th</sup> 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	
	<u>171 532</u>	<u>171,532</u>
Stock as at 30 <sup>th</sup> November 2008 was shs 27 475		

**Required:** prepare

- The trading, profit and loss account
- A balance sheet as at 30<sup>th</sup> November 2008

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

	Dr (Shs)	Cr (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**

- (i) Closing stock was valued at Shs.72000
- (ii) Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300
- (iii) Depreciation on equipment is 10% p.a on cost
- (iv) 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

	<b>DR</b>	<b>CR</b>
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
	<u>749,820</u>	<u>749,820</u>

**Additional information**

- (i) Profit margin was 20%
- (ii) Stock as at 1<sup>st</sup> 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 31<sup>st</sup> Dec 2006, equipment was valued at Ksh. 48,576 and general expenses outstanding were Ksh. 1,200
- (v) A bill of Ksh.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 31<sup>st</sup> 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 31<sup>st</sup> Dec. 2008
  - ii) Calculate -borrowed capital
    - current ratio
    - capital owned
14. Prepare a trading and profit and loss account for the year ended 30<sup>th</sup> June 2008 and a balance sheet as at date from the following trial balance;

Bosongo wholesalers		
Trial balance as at 30 <sup>th</sup> June 2008		
Stock on 30/6/2007	400	13,870
Capital and drawings	600	7,000
Purchases and sales	3,500	



Furniture and fittings	2,000	
Motor vehicles	15,000	
Debtors and creditors	800	1,200
Returns	150	200
Discounts	90	80
Rent		100
Insurance	210	
Bank		300
	22,750	22,750

Closing stock shs. 5.00

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