

FINANCIAL STATEMENTS

KCSE QUICK REVISION

*Compilation of Possible Questions in Business Studies
Likely to be Examined in KCSE.*

*A Special Analysis of Prediction Questions that may be Tested in KCSE from this
Topic in Form 4.*

BUSINESS STUDIES

SERIES 1

For Marking Schemes

Mr Isaboke 0746 222 000 / 0742 999 000

MWALIMU CONSULTANCY

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 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 from 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

15. 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

16. 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	<u>128,000</u>	
	<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

17. 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	<u>220 500</u>
Machinery	140 000		643 430
Motor vehicle	<u>190 000</u>	-drawings	<u>175 000</u>
	681 500		468 430

Current assets

Stock	124 500
Debtors	103 650
Cash at bank	54 850
Cash at hand	<u>3650</u>
	<u>286 650</u>
	<u>968 150</u>

long term liabilities

mortgage loan	30 000
bank loan	<u>400 000</u>
	430 000

current liabilities

creditors	<u>99 730</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 | |

18. 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

19. 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

20. 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

21. 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

22. (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

(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

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

	Dr (shs)	Cr (shs)
Stock (30 th 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 30 th November 2008 was shs 27 475		

Required: prepare

- i) The trading, profit and loss account
- ii) A balance sheet as at 30th November 2008

24. 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

- (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***

25. 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	<u> </u>	<u>528,400</u>
	<u>749,820</u>	<u>749,820</u>

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 Kshs.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***

- 26.** 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 30/6/2007	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

For Marking Schemes/Answers

Contact Mr Isaboke

0746-222-000

OR

0742-999-000

FOR THE FOLLOWING;

- ✓ **ONLINE TUITION**
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- ✓ **TOP SCHOOLS PREMOCKS**
- ✓ **JOINT PREMOCKS**
- ✓ **KCSE MOCKS**
- ✓ **TOP SCHOOLS MOCKS**
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CALL/TEXT/WHATSAPP
0746 222 000 / 0742 999 000

mwalimuconsultancy@gmail.com

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