Q2.

(i)

Rakwaro Enterprises
Trading Profit and Loss Account
For the year ending 31st December 2015

	Ksh	Ksh		Ksh	Ksh
Opening stock		160,000	Sales	1,440,000	
Purchases	960,000		Less: R. Inwards	16,000	1,424,000
Add: C. Inwards	6,800	966,800			
C.O.G.A.F.S		1,126,800			
Less: Closing stock		280,400			
Cost of Sales		846,400			
Gross profit c/d		577,600			
		1,424,000			1,424,000
Expenses			Gross profit b/d		577,600
Discount Allowed		40,400			
Salaries & Wages		200,000			
Net profit c/d		337,200			
		577,600			577,600
			Net profit b/d		337,200

(ii) Initial Capital

Remember:

Final capital = Initial capital + Additional capital / profit − Drawings/Loss

$F \cdot C = I \cdot C + I/P - D/L$

Final capital (31st Dec 2015) = 720,000 | Drawings = 28000

Profit = Ksh 337,200

$\Rightarrow 720{,}000 = I \cdot C + 337{,}200 - 28000$

$729000 = I \cdot C + 365{,}200$

$\therefore I \cdot C = 720000 - 365200$

Initial Capital = Ksh 354,800

Q5.

(a)

Laketi Traders
Profit and Loss Account
For the year ~~pending~~ ending 31st December 2009

Expenses	Ksh		
General Expenses	117,800	Gross profit	1,960,200
Commission Allowed	12,400	Discount Received	66,100
Insurance	7,500		
Lighting	4,600		
Salaries	78,000		
Total	220,300		
Net profit c/d	1,806,000		
	2,026,300		2,026,300
		Net profit b/d	1,806,000

(b)

Laketi Traders
Balance Sheet
As of 31st December 2009

	Ksh	Ksh		Ksh	Ksh
Fixed Assets			Capital	1,009,000	
Premises	850,000		Add: Net profit	1,806,000	2,806,000
Motor vehicle	800,000				
Equipment	550,500				
Furniture	350,000	2,550,500			
Current Assets			Current liability		
Debtors	650,500		Creditors		820,000
Stock	75,000				
Bank	200,000				
Cash in hand	150,000	1,075,500			
		3,626,000			3,626,000

Jabali Traders

Details	Ksh
Purchases	84,375
Carriage out	7,400
Stock on 1/1/2015	67,900
Carriage In	9,170
Stock on 31/1/2015	17,970
Returns Out	15,520

(a) Determine net purchases

working

Net purchases = Purchases + Carriage In − Returns Out

= 84,375 + 9,170 − 15,520

= Ksh 109,065

(b) State two reasons for preparing the trading Account

- To determine gross profit or loss realised by a business at a particular period
- To determine the cost of goods sold during a particular period
- To reveal the volume of turnover (Net sales)
- For comparison purposes between different accounting periods or with similar businesses
- To facilitate preparation of the profit and loss account.