

ENTREPRENEURSHIP EDUCATION

Paper 2 (P230/2)

S.6 ASSIGNMENT

1. The following trial balance was extracted from the books of Alex an entrepreneur on 31st December 2018

DETAILS	DR (SHS)	CR (SHS)
Stock 1 st jan 2018	5,000,000	
premises	24,000,000	
Bills receivable	3,000,000	
Purchases	28,000,000	
Salaries and wages	3,500,000	
sales		52,000,000
Fixtures and fittings	2,500,000	
Discount allowed	750,000	
Discount received		450,000
Plant and machinery	14,000,000	
Rates	560,000	
Advertising	1,040,000	
Insurance	380,000	
General expenses	720,000	
Provision for bad debts		180,000
Sundry debtors	6,000,000	
Bills payable		1,500,000
Sundry creditors		4,300,000
Cash in hand	240,000	
Bank overdraft		1,860,000
Drawings	600,000	
Capital		30,000,000
TOTALS	90,290,000	90,290,000

The following additional information was available

- Closing stock valued at shs. 6,000,000
- Rates accrued shs.40,000
- Prepaid insurance amounts to shs 50,000
- During the year, Alex took goods worth shs. 200,000 for his personal use.
- Increase provision for bad debts to 4% of sundry debtors
- Provide for depreciation of plant and machinery at 10% per annum and fixture and fittings at 15% per annum

Required to work out Alex's

- (a) Trading, profit and Loss account for the year ended 31st december 2018 (13 mks)
 (b) Balance sheet as at 31st December 2018 (12 mks)

2. The following information relates to UNIQUE TRADERS LTD for the year ended 31. 12. 2018.

Details	Shs (000)
Bank	12,000
Cash	18,000
Capital	157,000
Opening inventory	10,000
Furniture	30,000
Bad debts written off	4,000
Machinery	15,000
Accounts receivable	20,000
Returns inwards	2,000
Purchases discount	33,300
Carriage on sales	1,000
Purchases	75,000
Sales	90,000
Accounts payable	13,000
Returns outwards	4,000
Carriage on purchases	1,500
Bad debts recovered	8,000
Sales discount	2,000
Closing inventory	1,000
Bank overdraft	2,000

Required:

- a) Compute the:

- (i) Average stock (02 marks)
 (ii) Cost of sales (02 marks)
 (iii) Gross profit (02 marks)
 (iv) Net profit (03 marks)

- b) Calculate the following ratios;

- (i) creditors' turnover period in weeks (03 marks)
 (ii) Net profit to sales (03 marks)
 (iii) Rate of return on capital employed. (03 marks)
 (iv) Stock turnover (03 marks)

- c) Interpret the following ratios in relation to 5(b) above.

(i) creditors' turnover period

(02 marks)

(ii) Stock turn over

(02 marks)

4. The following trial balance was extracted from the books of Anguyo Enterprises Ltd as At 31st December 2013

Details	Dr (shs)	Cr (shs)
Stock (1 st Jan 2013)	12,500,000	
Purchases/Sales	70,000,000	130,000,000
Salaries and wages	8,750,000	
Transport receivable	7,500,000	
Insurance	950,000	
premises	60,000,000	
General expenses	1,800,000	
Provision for bad debts		450,000
Entertainment	2,600,000	
Rent and rates	1,400,000	
Discount allowed/received	1,875,000	1,125,000
cash	600,000	
Drawings	1,500,000	
Debtors	15,000,000	
Motor van	35,000,000	
Fixtures & fittings	6,250,000	
Capital		75,000,000
creditors		10,750,000
Electricity payable		3,750,000
Bank overdraft		4,650,000
TOTALS	<u>225,725,000</u>	<u>225,725,000</u>

Additional information

- i. Stock on 31st December 2013 was valued at shs. 15,000,000
- ii. Increase provision for bad debts to 4% of debtors
- iii. Insurance prepaid shs.125,000
- iv. Rent and rates accrued shs.100,000
- v. Motorvan to be depreciated at a rate of 10% and fixtures and fittings at 15% per annum
- vi. During the year, Anguyo took goods worth shs 500,000 for personal use

Required to prepare;

(a) An income statement for the year ended 31st December 2013 (13 mks)

(b) Balance sheet as at 31st December 2013. (12 mks)

4. The following information was obtained from the books of BABA INVESTMENTS LTD for the months of January, February, March and April 2016.
- i. On 1st January 2016, the business started with shs 4,000,000
 - ii. It expected cash sales of shs 6,000,000 per month. However, it is expected to reduce by 10% in March.
 - iii. The expected credit sales were shs 1,600,000 per month but payment would be made the following month.
 - iv. The business expected a donation of shs 800,000 in cash per month, but this was to reduce by 12% monthly after the first two months.
 - v. The monthly rent income was shs 200,000, however,, it is expected to increase by 25% after the first two months.
 - vi. The expected income from other sources was projected at shs 2,000,000 per month, effective the month of February.
 - vii. The business planned to purchase a delivery van in January at shs 14,000,000 on hire purchase. The down payment is shs 6,000,000 and balanced was to be paid in installments of 4:3:1 respectively in the following months.
 - viii. The business expected to acquire a loan from finance Trust Bank Ltd in February of shs 4,000,000. The loan was payable in four equal monthly installments at an interest rate of 5% per month on reducing balance, with effect from march 2016.
 - ix. The expected monthly cash purchases were shs 3,000,000. It is expected to reduce by 20% after two months.
 - x. The business expected to issue a debenture certificate worth shs 5,000,000 in March 2016 (cash from debenture).
 - xi. Monthly payment for hired labour was shs 1,500,000.
 - xii. The electricity bill expected to be cleared at the end of every month was shs 1,200,000.

Required:

- a) Prepare a cash budget for the months of January, February, March and April 2016.
(20 marks)
- b) Comment on the net cash position of BABA INVESTMENTS LTD for four months.
(05 marks)

Prepared by

M.B.A (subject teacher)

“Without risk, there is no reward”

NO. 5 (a)

BABA INVESTMENTS LIMITED

CASHFLOW STATEMENT

FOR THE MONTHS OF JANUARY TO APRIL 2016

Particulars	Jan(shs)	Feb (shs)	March (shs)	April (shs)
<i>Cash inflows</i>				
BAL B/D	4,000,000	(700,000)	4,200,000	9,854,000
Cash sales	6,000,000	6,000,000	5,400,000	6,000,000
Credit sales		1,600,000	1,600,000	1,600,000
Donation	800,000	800,000	704,000	619,520
Rent income	200,000	200,000	250,000	250,000
Other incomes		2,000,000	2,000,000	2,000,000
Loan		4,000,000		
debenture			5,000,000	
TOTAL CASH INFLOWS	11,000,000	13,900,000	19,154,000	20,323,520
<i>Cash outflows</i>				
Purchase of Van	6,000,000	4,000,000	3,000,000	1,000,000
Loan repayment			1,000,000	1,000,000
Interest			200,000	150,000
Cash purchases	3,000,000	3,000,000	2,400,000	2,400,000
Labour cost	1,500,000	1,500,000	1,500,000	1,500,000
Electricity bill	1,200,000	1,200,000	1,200,000	1,200,000
TOTAL CASH OUTFLOWS	11,700,000	9,700,000	9,300,000	7,250,000
<u>NET CASH POSITION</u>	<u>(700,000)</u>	<u>4,200,000</u>	<u>9,854,000</u>	<u>13,073,520</u>

(b)

- ✓ The net cash position for Baba Investments Ltd for the month of January was a **deficit** of shs. **700,000**
- ✓ The net cash position for Baba Investments Ltd for the month of February was a **surplus** of shs. **4,200,000**
- ✓ The net cash position for Baba Investments Ltd for the month of March was a **surplus** of shs. **9,854,000**
- ✓ The net cash position for Baba Investments Ltd for the month of April was a **surplus** of shs. **13,073,520**