

22. DETERMINING THE NET WORTH OF BUSINESS

The topic entails:-

- (i) Introduction and explanation of the meaning of assets, liabilities and capital and relate the concepts to operation of business.
- (ii) Derive the book-keeping equation and relate it to the operation of the business.
- (iii) Explain the meaning of a balance sheet and relate it to the book keeping equation
- (iv) Preparing the balance sheet explaining the order in which items are presented in the balance sheet.
- (v) Discuss purpose and limitations of a trial balance.
- (vi) Classify ledger accounts and discuss the various types.

1. List **four** items that may affect the ending capital of a business

2. The following relates to Katiba traders as at 31st April 2010

	Kshs.
Capital	600,000
Motor van	280,000
Furniture	80,000
Current assets	?
Current liabilities	50,000

Prepare Katiba's between sheets

3. Asman Traders had the following information extracted from their books of accounts as at 31st

June 2006

	Shs.
Capital (1 st July 05)	3 500 000
Additional investment	540 000
Drawings for the year	25 200
Capital (31 st June 06)	6 000 000

Determine the profit for the year

4. State **four** characteristics of Assets

5. Use the balance sheet equation to fill the missing figures in the table below

	CAPITAL(Shs.)	LIABILITIES(Shs.)	ASSETS (Shs.)
(a)	21,920	?	30,341
(b)	?	2.192	19,840
(c)	3,773	1,591	?
(d)	?	73,000	100,920

6. The accounting period of Ochomo Traders ended on 30th June, 2008. The assets, liabilities and capital were as follows on their date :

Capital	51000
Cash in hand	4000
Stock	10000
Furniture	7000
Creditors	5000
Long term loan	20000
Premises	50000
Debtors	2000
Bicycle	3000

Required: Prepare Ochomo traders balance sheet as at 30th June,2008