DETERMINING THE NET WORTH OF BUSINESS

1. - Additional investment increases capital

   - Net profits increases capital\drawings reduces capital
   - Loss reduces capital

2. Katiba Traders

Balance sheet

As at 31 April 2010

Motor	280,000	Capital	600,000
Furniture	80,000		
Current Assets	290,000	Current liability	50,000
	650,000		650,000

3. Capital=OPC +add +NP-drawing

   6,000,000=3,500,000+540,000+NP-25,000

   NP= (6,000,000+25,000)-3,500,000+540,000)

   NP=6,025,000-4,040,000=1,985,000

4. ***Characteristics of Assets;***

(i) Are source owned and controlled by the business

(ii) Must have been acquired in the past

(iii) An item of value that can be measured reliably in monetary items

(iv)May either be fixed or current

(v)Future economics benefit associated with the net expected benefits to be received

by the business entity

5. Kshs.

Liabilities	8421
Capital	17,648
Assets	5364
Capital	27,920

6. ***Ochomo traders balance sheet as at 30th June, 2008***

Ochomo Traders
Balance sheet
As at 30th June, 2008

Assets	
Shs.	Shs
Premises	Capital
5000√	51000√
Furniture	Long term loan
7000√	20000√
Bicycle	Creditors
3000√	5000√
Stock	
10000√	
Debtors	
2000√	
Cash in hand	76000
4000√	

76000√	