

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	<u>290,000</u>	Current liability	<u>50,000</u>
	<u>650,000</u>		<u>650,000</u>

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√	