

**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 31<sup>st</sup>

June 2006

	<b>Shs.</b>
Capital (1 <sup>st</sup> July 05)	3 500 000
Additional investment	540 000
Drawings for the year	25 200
Capital (31 <sup>st</sup> 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

	<b>CAPITAL(Shs.)</b>	<b>LIABILITIES(Shs.)</b>	<b>ASSETS (Shs.)</b>
(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 30<sup>th</sup> 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 30<sup>th</sup> June,2008