

S.6 ENTREPRENEURSHIP EDUCATION PAPER 2 HOLIDAY WORK

Attempt the following questions:

- Q1. The following information for the year ended 31st December 2016 relates to Kazana Kabisa Enterprise:

<u>Item</u>	<u>Shs</u>
Fixed capital	120,000,000
Turnover	175,000,000
Cash	4,000,000
Bank	28,250,000
Net purchases	109,800,000
Working capital	43,750,000
Sales at cost	135,000,000
Circulating capital	40,000,000
Sundry creditors	9,000,000
Closing stock	8,000,000
Borrowed capital	100,000,000
Current liabilities	16,000,000
Net profit for the year	35,000,000

Required to:

- a) Calculate
- i) Net profit percentage (03 marks)
 - ii) Gross profit mark-up (03 marks)
 - iii) Cash ratio (03 marks)
 - iv) Acid – test ratio (03 marks)
 - v) Working capital turnover ratio (03 marks)
 - vi) Debt ratio (03 marks)
 - vii) Creditors' turnover period (03 marks)
- b) Interpret your answers in a(ii) and (vii) above. (04 marks)
- Q2. Tajiri International intends to start an enterprise at the beginning of September 2017. The projections of the proprietor are as follows:-
- i) Cash sales are expected to be shs.50 million per month.
 - ii) Monthly credit sales are projected to be shs.30 million but two-thirds of the payment is expected in the month of sale and the remaining amount to be received in two monthly equal installments in the successive months.
 - iii) Total cash received from sales each month is subjected to 10% sales tax.

- iv) The business plans to obtain two debentures of shs.20 million each in the first and third months of operation. Debenture interest of 10% per month is payable beginning one month after the month of acquisition while the principal will be paid in two monthly equal installments starting in the month following acquisition but with one month grace interval.
- v) Monthly commissions paid to sales agents are projected to be shs.2 million. However this is expected to reduce by 15% after two months.
- vi) Cash purchases per month are estimated to be shs.23 million which purchases on credit are projected to be shs.10 million but payment is to be made in the following month.
- vii) The owners of the business have resolved to capitalize the enterprise by making payment of shs.10 million each month.
- viii) Monthly income from donations is expected to be shs.25 million. Every month's donations will increase by 8%.
- ix) The business plans to buy 4 trailer trucks worth shs.200 million paying half the cost as down payment while the remaining amount is expected to be paid in nature below: 10%, 60% and 30% in the following months.
- x) The business will finance any cash shortfalls with a loan from the bankers in the following month. The loans will attract 5% monthly interest payable after two months whereas the principal will be repaid in a single sum one month after the month of acquisition.

Required:

- a) Prepare a monthly cash flow statement for a four month-period. (21 marks)
- b) Comment on the net cash position of the enterprise. (04 marks)

Q3. The information below is extracted from the books of Lockdown Traders Ltd as at 31/12/2019

Details	Shs
Stock 1/1/2019	2,000,000
Cash	1,600,000
Capital	6,660,000
Furniture	6,000,000
Machinery	2,400,000
Debtors	4,000,000
Creditors	2,600,000
Sales	18,000,000
Purchases	15,000,000
Carriage on sales	200,000
Rent	800,000
Insurance	400,000
Commission received	3,140,000
Returns inwards	400,000
Returns outwards	800,000
Discount received	1,600,000

Additional information;

- (a) Stock 31/12/2019 shs 6,000,000.
- (b) Rent accrued shs 100,000.
- (c) Insurance amounting to shs 40,000.
- (d) Make a provision for bad debts of 5%.
- (e) Depreciate machinery by 5% per annum.
- (f) On the day of stock taking to close the trading period cash shs 400,000 was taken by the entrepreneurs for personal use.

Required;

- (a) Prepare an Income statement for the period ending 31/12/2019. (15 marks)
- (b) Prepare the Balance Sheet as at 31/12/2019. (10 marks)

Q4. CODIV Holdings Ltd employs Jessy, Keturah, Godfrey, Madina and Sula earning monthly income of shs.300,000, shs.400,000, shs.580,000, shs.700,000 and shs.1,500,000 respectively.

- (a) Using the income tax rates given below, calculate the income tax payable by each of the employees mentioned above. (15 marks)

Monthly income (shs)	Tax liability
0 – shs 235,000	Nil
Shs 235,000 – shs 335,000	10% of the amount by which chargeable income exceeds shs 235,000.
Shs 335,000 – shs 410,000	Shs 10,000 plus 20% of the amount by which chargeable income exceeds shs 335,000.
Shs 410,000 – shs 10,000,000	Shs 25,000 plus 30% of the amount by which chargeable income exceeds shs 410,000.

- (b) Given the Value Added Tax (VAT) rate as 18%, calculate the VAT charged at each stage in the table below; (10 marks)

Stage	Activity	Purchase price shs	Selling price shs	VAT payable shs
I	Producer	160,000,000		
II	Producer to wholesaler	160,000,000	192,000,000	
III	Wholesaler to retailer	192,000,000	240,000,000	
IV	Retailer to final consumer	240,000,000	320,000,000	
V	Final consumer	320,000,000		