

Note: Higher level questions are marked with an asterisk*

4. Jo

a) Jo's cost of sales:

	\$
Opening inventories	–
Purchases	
1,700 x 50 cents	850
Closing inventories	
700 x 50 cents	<u>350</u>
Cost of sales	<u>500</u>

b) Jo's gross profit

Sales	1,200
Less: cost of sales	<u>500</u>
Gross profit	<u>700</u>

5. Maria

Maria

Statement of profit or loss for the year ended 31 December 2022

	€	€
Sales		56,500
Less cost of sales		
Opening inventory	4,800	
Purchases	<u>22,500</u>	

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	27,300	
Less closing inventory	<u>5,200</u>	
		<u>22,100</u>
Gross profit		34,400
Less: Expenses:		
Wages	12,000	
Office expenses	5,500	
Light and heat	1,800	
Sundry expenses	<u>1,850</u>	
		<u>21,150</u>
Net profit		<u>13,250</u>

6. Mustapha

Mustapha

Statement of profit or loss for the year ended 31 December 2022

	€	€
Sales		655,500
Less cost of sales		
Opening inventory	28,500	
Purchases	<u>330,000</u>	
		358,500
Less closing inventory	<u>38,000</u>	
		<u>320,500</u>
Gross profit		335,000
Less: Expenses		

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	97,500	
Wages	97,500	
Rent	18,500	
Light and heat	4,750	
Insurance	<u>1,750</u>	
		<u>122,500</u>
Net profit		<u>212,500</u>

***7. Mukaba**

a)

Mukaba

Statement of profit or loss for the year ended 30 June 2022

	KSh	KSh
Sales		230,000
Less cost of sales		
Opening inventory	15,000	
Purchases	<u>210,000</u>	
	225,000	
Less closing inventory	<u>50,000</u>	
		<u>175,000</u>
Gross profit		55,000
Less: Expenses		
Travel costs	18,000	
Stall costs	<u>7,500</u>	<u>25,500</u>
Net profit		<u>29,500</u>

(b) Mukaba has made a profit, albeit a small one, but this business is not a full-time activity. If he wants to improve his profitability, Mukaba could consider:

- making a bigger mark-up on the DVDs
- increasing sales with marketing activity
- reducing his trips to his wholesaler to cut down travel costs.

Mukaba's drawings at KSh.20,000 use up a large part of his profit. If he wants to expand he should consider reinvesting more of the profits into the business.