

New report layout (reflecting changes to discounts and financial expenses)

Carousel Traders Income Statement For the year ended 30 June, 2017			
	\$	\$	\$
Sales		793,000	
Less Sales Returns		3,850	
Discount Allowed		1,750	
Net Sales			787,400
Less Cost of Sales	481,000		
Freight Inwards	15,600		
Customs Duty	1,260	497,860	
Less Discount Received		2,100	
Total Cost of Sales			495,760
Gross Profit			291,640
Add Other Income			
Interest Received		900	900
			292,540
Less Other Expenses			
Selling and Distribution			
Doubtful Debts	980		
Advertising	17,900		
Depreciation – Delivery Vehicle	12,200		
Wages – Sales Staff	103,000	134,080	
General and Administrative			
Depreciation – Equipment	3,750		
Insurance	15,000		
Stationery	1,780		
Wages – Office Staff	51,900	72,430	
Financial			
Interest Paid	650		
Bank Fees and Charges on Loan	85	735	207,245
Profit for the period			85,295

– Balance Sheet

	\$	\$
Current Assets		
Cash at Bank		35,000
Accounts Receivable	21,000	
Less Allowance for Doubtful Debts	1,900	19,100
Inventory		32,500
Total Current Assets		86,600
Non-Current Assets		
Equipment	96,700	
Less Accumulated Depreciation – Equipment	52,300	44,400
Land and Premises		900,000
Delivery Vehicles	125,000	
Less Accumulated Depreciation – Delivery Vehicles	63,000	62,000
Total Non-Current Assets		1,990,400
Total Assets		1,093,000
Current Liabilities		
Accounts Payable		13,000
Bank Loan		14,000
Total Current Liabilities		27,000
Non-Current Liabilities		
Mortgage		560,000
Total Non-Current Liabilities		560,000
Total Liabilities		587,000
Net Assets		506,000
Equity		
Capital		430,785
Add Profit for the period		85,295
		516,080
Less Drawings		10,080
Total Equity		506,000

Note: these changes to the Australian Accounting Standards have no impact on the balance sheet.

Example 1 suggested solution – Profitability ratios

Profitability ratio	Calculations (reflecting changes to discounts and financial expenses)	Calculations (prior to changes to discounts and financial expenses)
Profit <u>profit</u> net sales	$= \frac{85,295}{787,400} \times 100$ $= 10.83\%$	$= \frac{85,295}{789,150} \times 100$ $= 10.81\%$
Gross profit <u>gross profit</u> net sales	$= \frac{291,640}{787,400} \times 100$ $= 37.04\%$	$= \frac{291,290}{789,150} \times 100$ $= 36.91\%$
Expenses <u>operating expenses</u> net sales	$= \frac{207,245}{787,400} \times 100$ $= 26.32\%$	$= \frac{208,995}{789,150} \times 100$ $= 26.48\%$
Rate of return on assets <u>profit</u> average total assets	No change	Average Assets $= \frac{(84,000 + 1,090,000) + 1,093,000}{2}$ $= 1,133,500$ Rate of return on assets $= \frac{85,295}{1,133,500} \times 100$ $= 7.52\%$