# Report for Lois Chan

For the period ended 30 June 2022

# Statement of Profit or Loss

After examining the Statement of Profit or Loss I have found the following information:

This business has earned good sales for the period ($315,000). This is important because sales is the biggest income earner for a business. The sales returns ($16,000) suggests the goods sold must be of good quality. The cost of goods sold figure ($133,000) is a little high and this should be investigated to see if costs can be reduced where possible. Even though the cost of the selling goods is more than one third of what was earned in sales, the business was still able to earn a gross profit ($110,000).

Recommendations to reduce the cost of selling goods includes: sourcing different suppliers who ware cheaper without sacrificing the quality of the goods. The business should try to buy locally to save on transport costs. Bulk buying will also save costs. Better buying will reduce the problems of wastage.

Considering the business is performing well in sales, advertising could be reduced. Shop around for insurance quotes to find the cheapest policy which provides excellent cover.

# Statement of Financial Position

This business is in a good financial position because the assets ($210,300) is substantially higher than the liabilities ($112,650). This means the business owns more than it owes. It has a relatively low debt. There is plenty of money in the bank to pay expenses and to buy other assets. The worth of business has increased from ($48,000 to $97,700). The amount of drawings is low and does not affect the overall figure.

# Conclusion

This business is in good financial shape because it is earning high sales from goods. Costs are a little high and should be examined for where savings can be made. There are plenty of assets to cover the money owned to liabilities. It is a business that is worth buying.