# FINAL ACCOUNTS

**FINAL ACCOUNTS FOR SOLE TRADERS**

**(a) TRADING ACCOUNT**

The trading account summarises the trading activities (sale and purchase of goods/stocks) of the business and tries to determine the gross profit for the relevant financial period. The gross profit is then taken up in the profit and loss account as part of the income.

Format for the trading account:

**Name**

**Trading Account for the year ended 31 Dec**.

₤ ₤ ₤

Sales x

Less: Returns Inwards (x)

x

Less: Cost of Sales

Opening stock x

Purchases x

Add: Carriage Inwards x

x

Less: Returns Outwards x x

Cost of stock available for sale x

Less: Closing stock x (x)

Gross Profit x

**Example: 2.1**

From the following details draw up the trading account of Springs for the year ended 31 December 2002, which was his first year in business.

₤

Carriage inwards 6,700

Returns outwards 4,950

Returns inwards 8,900

Sales 387,420

Purchases 333,330

Stock of goods: 31 December 19x7 74,890

**Springs**

**Trading Account for the year ended 31 Dec 2002**

£ £

Sales 387,420

Less: Returns Inwards 8,900

378,520

**Less cost of sales**

Purchases 333,330

Add: Carriage Inwards 6,700

340,030

Less: Returns outwards 4,950

335,080

Less: Closing stock 74,890 260,190

Gross Profit 118,330

###### Example 2.2

The following details for the year ended 31 March 2003 are available. Draw up the trading account of R Sings for that year.

£

Stocks: 1 April 2002 16,523

Returns inwards 1,372

Returns outwards 2,896

Purchases 53,397

Carriage inwards 1,122

Sales 94,600

Stocks: 31 March 2003 14323

**Answer**

**R Sings**

**Trading Account for the year ended 31 Mar 19x8**

₤ ₤ ₤

Sales 94,600

Less: Returns Inwards (1,372)

93,228

**Less: Cost of sales**

Opening Stock 16,523

Purchases 53,397

Add: Carriage Inwards 1,122

54,519

Less: Returns Outwards 2,896 51,623

Cost of goods available for sale 68,146

Less: Closing stock 18,504 (49,642)

Gross Profit 43,586

(b*)* **PROFIT AND LOSS ACCOUNT**

It shows the net profit or net loss that the business has made from all the activities during a financial period.

The net profit (or loss) is determined by deducting all the expenses from all the incomes of the same financial period.

In practice, the trading account is combined together with the net profit and loss account into one report so that the format is as shown below:

**Name**

**Trading, Profit and Loss Account for the year ended 31/12/19xx**

£ £ £

Sales x

Less: Returns Inwards x

x

**Less: Cost of sales**

Opening stock x

Purchases x

Add: Carriage Inwards x

x

Less: Returns Outwards x x

Cost of goods available for sale x

Less: Closing stock x (x)

Gross Profit x

Discount received x

Rent received x

Interest received x

Other incomes x

x

**Less: Expenses**

Carriage Outwards x

Discounts allowed x

Postage & stationary x

Salaries & wages x

Rent paid x

Insurance & rates x

Bank charges x

Other expenses x (x)

Net profit/ (loss) x/(x)

**Example 2.3**

From the following trial balance of P Boones draw up a trading and profit and loss account for the year ended 30 September 2002, and a balance sheet as at that date.

Dr Cr

£ £

Stock 1 October 19x8 23,680

Carriage outwards 2,000

Carriage inwards 3,100

Returns inwards 2,050

Returns outwards 3,220

Purchases 118,740

Sales 186,000

Salaries and wages 38,620

Rent 3,040

Insurance 780

Motor expenses 6,640

Office expenses 2,160

Lighting and heating expenses 1,660

General expenses 3,140

Premises 50,000

Motor vehicles 18,000

Fixtures and fittings 3,500

Debtors 38,960

Creditors 17,310

Cash at bank 4,820

Drawings 12,000

Capital 126,360

332,890 332,890

**Answer**

**P Boones**

**Trading, Profit and Loss Account as at 30 September 2003**

£ £ £

Sales 186,000

Less: Returns Inwards (2,050)

183,950

**Less: Cost of sales**

Opening stock 23,680

Purchases 118,740

Add: Carriage inwards 3,100

12,1840

Less: Returns Outwards 3,220 118,620

Cost of goods available for sale 142,300

Less: Closing stock 29,460 (11,2840)

Gross Profit 71,110

**Less Expenses**

Salaries & wages 38,620

Carriage outwards 2,000

Rent 3,040

Insurance 780

Motor expenses 6,640

Office expenses 2,160

Lighting & heating 1,660

General expenses 3,140 (58,040)

Net Profit 13,070

**(c)BALANCE SHEET**

This is a simple report that shows the assets and liabilities of the business and the capital of the owner as at a certain point in time. The format is at shown below:

**Name**

**Balance sheet as at 31/Dec/19xx**

£ £ £

**Non Current Assets**

Land & Buildings x  
Plant & Machinery x

Fixtures, Furniture & Fittings x

Motor vehicles x

x

**Current Assets**

Stock/inventories x

Debtors – trade x

Debtors – others x

Cash at bank x

Cash at hand x

x

**Current Liabilities**

Bank overdraft x

Creditors – trade x

Creditors – others x (x)

Net current assets x

Net Assets x

**Capital**  x

Add: Net profit x

x

Less: Drawings (x)

x

**Non Current Liabilities**

Loan (s) x

x

The balance Sheet of P Boones in example 2.3 will be produced as follows:

**P Boones**

**Balance Sheet as at 30 Sept 2002**

£ £

**Non Current Assets**

Premises 50,000

Fixtures & fittings 3,500

Motor vehicles 18,000

71,500

**Current Assets**

Stock 29,460

Debtors 38,960

Cash at bank 4,820

73,240

**Current Liabilities**

Creditors (17,310)

Net Current Assets 55,930

Net Assets 127,430

**Capital**  126,360

Add: Net Profit 13,070

139,430

Less: Drawings (12,000)

127,430

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