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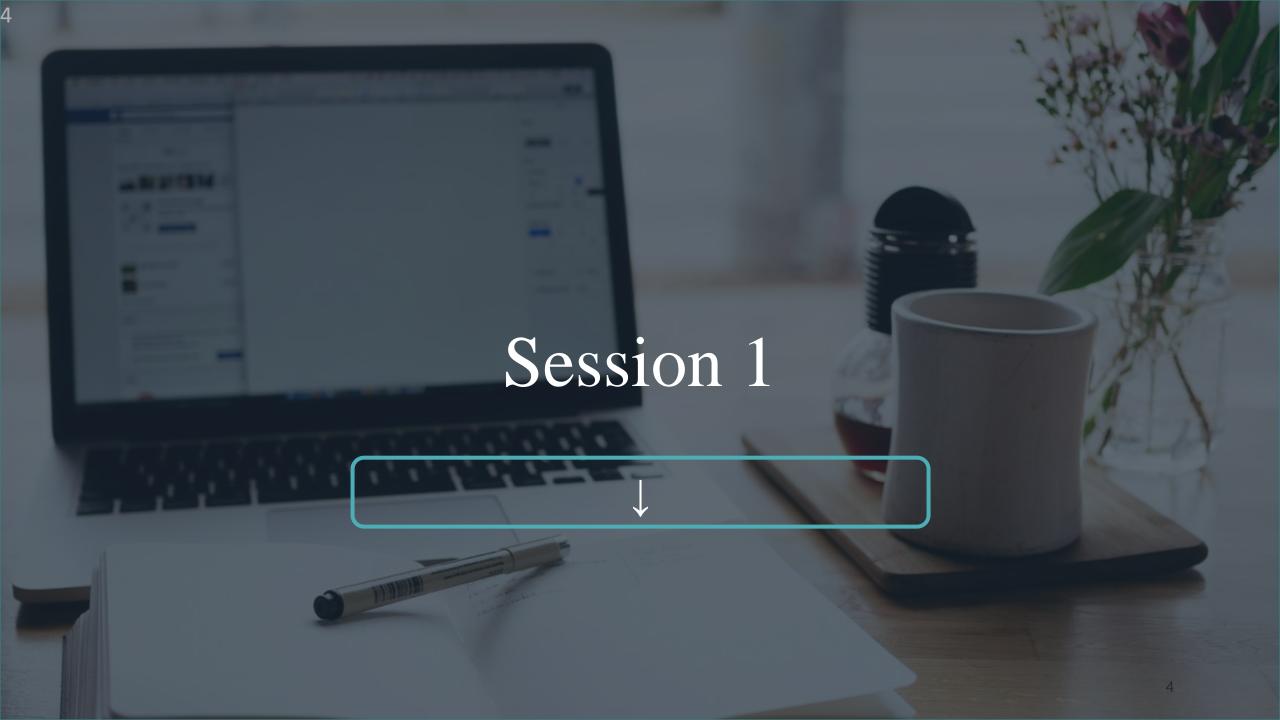
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Example



Financial Statements

The financial statement and the results of operations of business are a major interest of many groups including owners, managers, creditors, government agencies especially the tax body, employees and prospective owners and creditors.

The financial statements are the output of an accounting system.

A complete set of financial statements includes the following components

- 1. Statement of financial position (Balance sheet)
- 2.Income statement/Statement of Comprehensive income
- 3. Statement of cashflows
- 4. Statement of change of equity





The accounting cycle

The accounting cycle has the following stages:

Occurrence and documentation

Journalising of the transactions

Posting of the transactions from the journal to the ledgers

Preparation of the **trial balance**

Adjustment of accounts

Preparing the **financial statements**

Closing Entries





The income statement and Statement of financial position

The **income statement** discloses the financial performance of the enterprise during a given year/operating cycle.

That is whether the operations of the enterprise resulted in a profit or a loss.

It is therefore a profitability statement that shows an organisation's revenue and expenses.



XYZ Ltd

Statement of Comprehensive income for the year ended 20XX

Sales revenue XXXX

Less: Cost of goods Sold

Opening inventory XXX

Add: Purchases XXX

XXX

Less: Closing Inventory XXX XXXX

Gross profit XXXX

Less: operating expenses

Rent XXX

Electricity XXX

Salaries XXX XXXX

Net profit before int and tax(NBIT) XXXX

Finance cost(interest) (XXX)

Net profit before tax (NBT) XXXX

Taxation (XXX)

Net profit for the year XXXX

The income statement and Statement of financial position





Example

From the following information relating to the business of Lee's Ltd, for the year ended 31st December, 2019. prepare the profit and loss accounts for the year ended

Gross profit	420,000
Salaries expense	14,000
Insurance expense	74,000
Rent and rates expense	27,000
General office expenses	19,000
Carriage on sales expense	45,000
Printing and stationery exp	37,000
Electricity expense	12,000
Postage and tele expense	8,000

Discount allowed (sales dis)15,000
Bank charges1,200
Advertising expense42,000
Interest exp on bank loan2,500
Salesmen's commission exp32,000
Discount received5,000
Rent received2,700



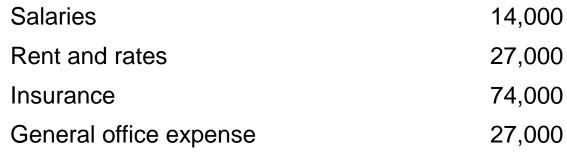


John Ltd Statement of comprehensive income for the year ended 31/12/2019

Ugx.

Gross profit 420,000 add: other incomes (discount received) 5,000 Rent received 2,700 7,700 Total income 427,700 Less: operating expenses

Solution





Ugx. Carriage on sales 45,000 Printing and stationery 37,000 12,000 Electricity Postage and telephone 8,000 Discount allowed (sales discount) 15,000 Bank charges 1,200 32,000 Interest on bank loan total operating expense <u>(328,700)</u> **Net profit before tax** 99,000 tax (30% x 99,000).....(33,000) Net income..... .66,000

Cont...





XYZ LTD STATEMENT OF FINANCIAL POSITION AS AT 20XX

ASSETS

Tangible non-current assets	Cost	Acc. Depn	NBV
Land	XXXX	Nil	XXXX
Motor vehicles	XXXX	XXXX	XXXX
Equipment	XXXX	XXXX	XXXX
	XXXX	XXXX	XXXX
Intangible assets			XXXX
Financial Assets			XXXX
Investments			XXXX
total non-current Asset			xxx

Statement of financial position



Current Assets

Inventories XXXX

Prepayments XXXX

Trade and other receivable XXXX

Cash and cash equivalent XXXX

Total current Asset XXXX

Total assets XXXX

EQUITY AND LIABILITIES

Capital and reserves

Share capital XXXX

Accumulated profit (net drawings if any) XXXX

Other reserves <u>XXXX</u> <u>XXXX</u>

Other controlling interest XXXX

Cont...



Non current liabilities

Bank loans XXXX

Debentures XXXX

Preferences shares(redeemable) XXXX XXXX

Current Liabilities

Trade and other payables XXXX

Short term borrowings(overdrafts) XXXX

Taxation payable <u>XXXX</u> <u>XXXX</u>

Total equity and liabilities XXXX





Example

The following stood in the ledger of Tirisa Banareri on 31/12/2019

Cash in hand	10,800	Capital	464,000
Cash at bank	38,700	Sales	789,300
Petty cash in hand	1,350	Sales	709,300
Stock 1st Jan, 2019	54,000	Sales returns	15,300
Purchases	351,900	Carriage out	7,875
Purchase returns	14,400	•	,
Carriage in	6,750	Discount received (purch disc)	15,750
Sundry debtors(a/r)	147,000	Discount allowed	12,600
Sundry creditors (a/p)	119,340	Dioocant anowed	12,000
Motor vehicle	270,000		



Rent and rates	36,000
Wages and salaries	162,000
Printing and stationery	33,300
Drawings	22,500
Telephone and telegraph	5,625
Office equipment	90,000
Furniture	67,500
Electricity	6,525
Water	1,575
Bank charges	540
Insurance ex	16,200
Motor expenses	25,200
General office expenses	19,350



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Closing stock 31 December 2019

102,150

Required:

- (a) Re arrange the trial balance on 31/12/2019
- (b)Prepare a trading and profit and loss account (income statement) for the year ending 31/12/2019
- (c)Prepare a statement of financial position as at 31/12/2019

Tirisa Banareri

Trial balance on 31/12/2019

	Dr.	Cr.
Cash in hand	10,800	
Cash at bank	38,790	
Petty cash in hand	1,350	
Stock 1st January 2019	54,000	
Motor vehicles	270,000	
Furniture	90,000	
Office equipment	67,500	
Sundry debtors	147,150	
creditors		119,340
Purchases	351,900	
Purchase returns		14,400
Sales		789,300



Sales return	15,300	
Carriage in	6,750	
Carriage out	7,875	
Discount allowed/	12,600	
Discount received		15,750
Rent and rates	36,000	
Wages and salaries	162,000	
Printing and stationery	33,300	
Drawing	22,500	
Telephone and telegraph	5,625	
Electricity	6,525	
Water	1,575	
Bank charges	540	
Insurance	16,200	
Motor expenses	25,200	
General office expenses	25,200	
Capital		464,000
	1,402,830	1,402,830



Closing stock 31 December 2019

102,150

Tirisa Banareri

profit and Loss statement

for the year ending 31 December 2019

	Ugx.	Ugx.
Sales		789,300
Less: sales returns		(15,300)
Net income from sales		774,000
Less: Cost of sales		
Opening stock	54,000	
add: Purchases	351,900	
carriage in	<u>6,750</u>	
	412,650	
Less: Purchase returns	<u>14,400</u>	
Total available for sale	398,250	
Less: Closing stock	<u>(102,150)</u>	(296,100)
Gross profit		447,900



Add: other incomes

Discount received <u>15,750</u>

Total incomes 493,650

Less: Operating expenses

Carriage out 7,875

Discounts allowed 12,600

Rent and rates 36,000

Wages and salaries 162,000

Printing and stationery 33,300

Telephone and telegraph 5,625

Electricity 6,525

Water 1,575

Bank charges 540

Insurance 16,200

Motor expenses 25,200

General office expenses 19,350

Total expenses 326,790

Net profit tax <u>166,860</u>

Tirisa Baneri

Statement of Financial Position

at 31 December 2019

Assets	Ugx.	Ugx.
Non current assets		
Furniture	90,000	
Office equipment	67,500	
Motor vehicles	<u>270,000</u>	
Total non current assets		427,500
Current assets		
Stock	102,150	
Debtors	147,150	
Cash in hand	10,800	
Cash at bank	38,790	
Petty cash in hand	<u>1,350</u>	
Total current assets		300,240
Total assets		727,740

Equity and Liabilities

Capital	46	64,040
Add: Net profit	166,860	
Less: Drawings	(22,500)	
Retained Earning	144	1,360
total equity	60	08,400
Current liabilities		
Creditors	<u>1</u> 1	19,340
Total Equity and liabilities	<u>72</u>	<u> 27,740</u>





