

Financial Accounting

Trading and profit and loss accounts and balance sheets Ch9

Trading & Profit loss Account

- $\text{Gross Profit} = \text{Revenue} - \text{Cost of goods sold}$
- $\text{Net profit} = \text{Gross profit} - \text{Expenses}$

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- **Revenue**

| | | |
|---------------------|--------------|----------------|
| Sales | | 100,000 |
| Less sales Return | 2,000 | |
| Less Sales Discount | <u>1,000</u> | <u>(3,000)</u> |
| Net Sales | | 97,000 |

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- **Cost of goods sold**

| | | | |
|----------------------------------|----------------|----------------|--------|
| Beginning Inventory/ Stock | | 2000 | |
| Purchases | 30,000 | | |
| Add: Transportation In | <u>5,000</u> | | |
| Total Purchases | 35,000 | | |
| Less: Purchase Return | (1,000) | | |
| Less Purchase Discount | <u>(2,000)</u> | <u>(3000)</u> | |
| Net purchase | | <u>32,000</u> | |
| Cost of Goods Available for Sale | | 34,000 | |
| Less Ending Stock/ Inventory | | <u>(3,000)</u> | |
| Cost of Goods Sold | | | 31,000 |

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• Gross profit

| <u>Revenue</u> | | | |
|----------------------------------|----------------|----------------|-----------------|
| Sales | | 100,000 | |
| Less sales Return | 2,000 | | |
| Less Sales Discount | <u>1,000</u> | <u>(3,000)</u> | |
| Net Sales | | | 97,000 |
| <u>Cost of goods sold</u> | | | |
| Beginning Inventory/ Stock | | 2000 | |
| Purchases | 30,000 | | |
| Add: Transportation In | <u>5,000</u> | | |
| Total Purchases | 35,000 | | |
| Less: Purchase Return | (1,000) | | |
| Less Purchase Discount | <u>(2,000)</u> | <u>(3,000)</u> | |
| Net purchase | | <u>32,000</u> | |
| Cost of Goods Available for Sale | | 34,000 | |
| Less Ending Stock/ Inventory | | <u>(3,000)</u> | |
| Cost of Goods Sold | | | <u>(31,000)</u> |
| Gross Profit | | | 66,000 |

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- **Net Profit**

| | | |
|-------------------|--------|-----------------|
| Gross Profit | | 66,000 |
| Less: Expenses | | |
| Rent Exp | 4,000 | |
| Utility Exp | 4,000 | |
| Salaries Exp | 20,000 | |
| Advertisement Exp | 2,000 | |
| Total Expenses | | <u>(30,000)</u> |
| Net Profit | | <u>36,000</u> |

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Revenue

| | | | |
|---------------------|--------------|----------------|--------|
| Sales | | 100,000 | |
| Less sales Return | 2,000 | | |
| Less Sales Discount | <u>1,000</u> | <u>(3,000)</u> | |
| Net Sales | | | 97,000 |

Cost of goods sold

| | | | |
|----------------------------------|----------------|----------------|------------------|
| Beginning Inventory/ Stock | | 2000 | |
| Purchases | 30,000 | | |
| Add: Transportation In | <u>5,000</u> | | |
| Total Purchases | 35,000 | | |
| Less: Purchase Return | (1,000) | | |
| Less Purchase Discount | <u>(2,000)</u> | <u>(3000)</u> | |
| Net purchase | | <u>32,000</u> | |
| Cost of Goods Available for Sale | | 34,000 | |
| Less Ending Stock/ Inventory | | <u>(3,000)</u> | |
| Cost of Goods Sold | | | <u>(31,000)</u> |

Gross Profit

| | | | |
|-------------------|--------|--|-----------------|
| Less: Expenses | | | 66,000 |
| Rent Exp | 4,000 | | |
| Utility Exp | 4,000 | | |
| Salaries Exp | 20,000 | | |
| Advertisement Exp | 2,000 | | |
| Total Expenses | | | <u>(30,000)</u> |
| Net Profit | | | <u>36,000</u> |

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Exhibit 9.5

| B Swift Trial Balance as at 31 December 20X6 | | |
|---|----------------|----------------|
| | Dr | Cr |
| | £ | £ |
| Sales | | 67,000 |
| Purchases | 42,600 | |
| Lighting and heating expenses | 1,900 | |
| Rent | 2,400 | |
| Wages: shop assistant | 5,200 | |
| General expenses | 700 | |
| Carriage outwards | 1,100 | |
| Buildings | 20,000 | |
| Fixtures and fittings | 7,500 | |
| Debtors | 12,000 | |
| Creditors | | 9,000 |
| Bank | 1,200 | |
| Cash | 400 | |
| Drawings | 9,000 | |
| Capital | | 31,000 |
| Stock (at 31 December 20X5) | 3,000 | |
| | <u>107,000</u> | <u>107,000</u> |

Additional Data: Swift undertook a stock take at 31 December 20X6 and valued the closing stock at that date at £5,500.

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Exhibit 9.7

B Swift

Trading and Profit and Loss Account for the year ending 31 December 20X6

| | £ | £ |
|-------------------------------|-----------------|----------------------|
| Sales | | 67,000 |
| Less Cost of goods sold: | | |
| Opening stock | 3,000 | |
| Add Purchases | <u>42,600</u> | |
| | 45,600 | |
| Less Closing stock | <u>(5,500)</u> | |
| | | (40,100) |
| Gross profit | | 26,900 |
| Less Expenses: | | |
| Wages | 5,200 | |
| Lighting and heating expenses | 1,900 | |
| Rent | 2,400 | |
| General expenses | 700 | |
| Carriage outwards | <u>1,100</u> | |
| | | (11,300) |
| Net profit | | <u><u>15,600</u></u> |

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Exhibit 9.8

B Swift Balance Sheet as at 31 December 20X6

| | £ | £ |
|------------------------------------|------------|-----------------|
| <i>Fixed assets</i> | | |
| Buildings | | 20,000 |
| Fixtures and fittings | | <u>7,500</u> |
| | | 27,500 |
| <i>Current assets</i> | | |
| Stock | 5,500 | |
| Debtors | 12,000 | |
| Bank | 1,200 | |
| Cash | <u>400</u> | |
| | 19,100 | |
| <i>Less Current liabilities</i> | | |
| Creditors | (9,000) | |
| | | <u>10,100</u> |
| | | <u>37,600</u> |
| Financed by: | | |
| Capital: Balance at 1 January 20X6 | | 31,000 |
| Add Net profit for the year | | <u>15,600</u> |
| | | 46,600 |
| <i>Less Drawings</i> | | <u>(9,000)</u> |
| | | <u>37,600</u> |

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Review Questions

9.3 to 9.6A

Assignment

9.7 & 9.8A