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Pass

# Income Statements

B  
Merit

Name.....

A/A\*  
Distinction



Understand what is an income statement

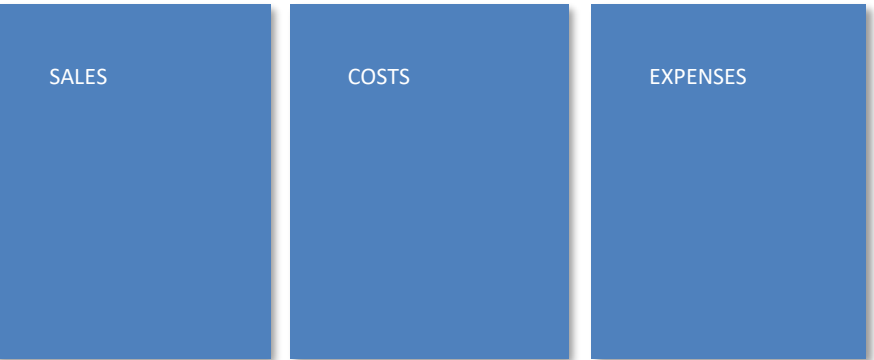
Apply data to an income statement

Analyse how an income statement can help a business

## Key Terms

What is an income statement (Profit and Loss account)

### You need to know....



### Why businesses produce Income Statements

- 1
- 2
- 3
- 4

IMPORTANT FORMULA  
 OPENING STOCK  
 + PURCHASES  
 - CLOSING STOCK  
 = COST OF GOODS SOLD

**Remember**  
 Gross profit = Revenue – Cost of sales  
 Net Profit = Gross Profit - Expenditure

Money out    Money in

What does a proper Trading, Profit & Loss Account look like?



	£	£
<b>SALES REVENUE</b>		35,000
Opening Stock	1,000	
Purchases	12,000	
Closing Stock	2,000	
<b>COST OF GOODS SOLD</b>	<b>11,000</b>	
<b>GROSS PROFIT</b>		<b>24,000</b>
<b>EXPENSES</b>		
Electricity & Gas	2,950	
Vehicles (Petrol)	500	
Telephone	325	
Rent	5,500	
<b>OPERATING PROFIT</b>		<b>14,725</b>
LESS Interest	2,500	
<b>NET PROFIT B4 TAX</b>		<b>12,225</b>
LESS Tax	3,000	
<b>NET PROFIT AFTERTAX</b>		<b>9,225</b>
RETAINED PROFIT	2,000	
DIVIDENDS	-	
DRAWINGS	7,225	

## Now Your Turn

### Profit and loss exercise

1. Using the information below, complete the profit and loss account.

J. Guitar Enterprises were set up on 1<sup>st</sup> January 2011 and sells CD's. When the business was set up the owner bought in 300 CD's at a cost of £5 each. The CD's were sold for cash at £20 each. The overheads to keep the business running for the year are shown below. The owner pays wages of £10 a day for 50 Saturdays of the year. Tax for the year was 20% of the operating profit. No dividends were issued.

### Profit and loss account for J. Guitar Enterprises

Sales	.....
Cost of sales	.....
<b>GROSS PROFIT</b>	.....
Expenses	
Rent	500
Mail costs	300
Advertising	120
Wages	.....
<b>Total Expenses</b>	.....
<b>OPERATING PROFIT</b>	.....
Tax	.....
<b>NET PROFIT (AFTER TAX)</b>	.....
<b>DIVIDENDS PER SHARE</b>	.....

Now have a go at the questions on page 58-59