**Final Accounts 1: The Income Statement 1**

All businesses, whether for profit or not for profit need to keep accounts in their business. At the end of each year, a business will show how they are performing using what is known as an Income Statement and a Statement of Financial Position. These accounts show whether the business is making a profit or a loss.

The Income Statement 1

All businesses are involved in some type of trade, i.e. they buy and sell goods or services. The **trading account** records all the details relating to these goods or services during the previous trading period.  The purpose of the first part of the Income Statement is to find out whether a business has made a ***Gross Profit*** or a ***Gross Loss***, before any expenses have been paid.

**Key Terms:**



The layout for these accounts must be learned off by heart

Company Heading along the top



***\*Please note, generally only one or two of Carriage Inwards, Import Duties, or Manufacturing Wages will be given in a question.***

***Sample Trading Account/Income Statement 1***

**Trading Account for XYZ Ltd for Year Ended 31/12/2019**



**Practice Questions**

|  |  |
| --- | --- |
| Sales | 290,000 |
| Sales Returns | 16,000 |
| Opening Stock | 50,000 |
| Purchases | 80,000 |
| Carriage Inwards | 2,800 |
| Import Duty – A duty or tax on goods | 200 |
| Closing Stock | 18,600 |

|  |  |
| --- | --- |
| Sales  | 600,000 |
| Sales Returns | 500,000 |
| Opening Stock | 70,000 |
| Purchases | 85,000 |
| Carriage Inwards | 100 |
| Customs Duty | 350 |
| Closing Stock | 72,000 |

|  |  |
| --- | --- |
| Sales | 204,000 |
| Sales Returns | 2,000 |
| Opening Stock | 13,000 |
| Purchases | 96,000 |
| Purchases Returns  | 84,000 |
| Carriage Inwards | 800 |
| Manufacturing Wages- Wages for workers on purchased goods | 14,000 |
| Closing Stock | 11,100 |

|  |  |
| --- | --- |
| Sales | 170,000 |
| Sales Returns | 150,000 |
| Opening Stock | 111,000 |
| Purchases | 90,000 |
| Purchases Returns  | 86,000 |
| Carriage Inwards | 12,800 |
| Manufacturing Wages | 18,450 |
| Closing Stock | 111,100 |

**Sales 290,000**

* **Sales Returns 16,000**

**Net Sales 274,000**

**Less Cost of Sales**

**Opening Stock 50,000**

**+Purchases ` 80,000**

**+Carriage In 2,800**

**+Import Duty 200**

**Cost of Goods Available for Sale 133,000**

* **Closing Stock 18,600**

**Cost of Goods 114,400**

**Gross Profit 159600**

**Sales 600,000**

* **Sales Returns 500,000**

**Net Sales 100,000**

**Less Cost of Sales**

**Opening Stock 70,000**

**+Purchases 85,000**

**+Carriage In 100**

**+Customs Duty 350**

**Cost of Goods Available for Sale 155,450**

* **Closing Stock 72,000**

**Cost of Goods 83,450**

**Gross Profit 16,550**

**Sales 204,000**

* **Sales Returns 2,000**

**Net Sales 202,000**

**Less Cost of Sales**

**Opening Stock 13,000**

**+Purchases 96,000**

* **Purchases Returns 84,000**

 **Net Purchases 12,000**

**+Carriage In 800**

**+ Manufacturing Wages 14,000**

**Cost of Goods Available for Sale 39,800**

* **Closing Stock 11,100**

**Cost of Goods 28,700**

**Gross Profit 173,300**

**Sales 170,000**

* **Sales Returns 150,000**

**Net Sales 20,000**

**Less Cost of Sales**

**Opening Stock 111,000**

**+Purchases 90,000**

* **Purchases Returns 86,000**

**Net Purchases 4,000**

**+Carriage In 12,800**

**+ Manufacturing Wages 18,450**

**Cost of Goods Available for Sale 146,250**

* **Closing Stock 111,100**

**Cost of Goods 35,150**

**Gross Loss (15,150)**