**Final Accounts 2: The Income Statement 2**

**The Profit and Loss Account**

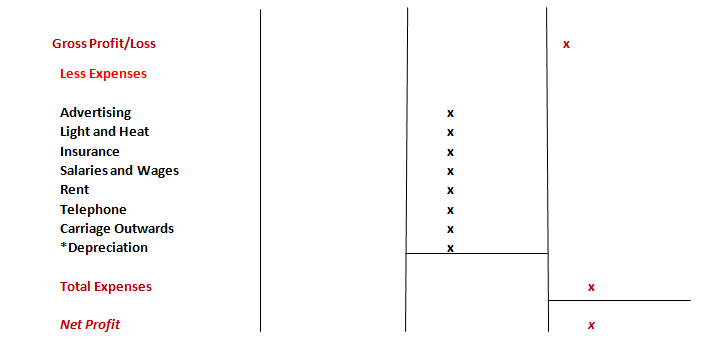
The Income Statement 2 shows a business’s total expenses for a trading period and is used to calculate Net Profit or Net Loss.

***To get this Net Profit we will show that:***

**Gross Profit - Expenses = Net Profit**

**The layout for these accounts must be learned off by heart**

-Continue on from Income Statement 1



*These expenses are not exhaustive and there may be more.*

**Calculate Net Profit Using the following figures:**

|  |  |
| --- | --- |
| Gross Profit | 6,000 |
| Office Expenses | 1,000 |
| Travel Expenses | 2,000 |
| Tax | 700 |

|  |  |
| --- | --- |
| Gross Profit | 204,000 |
| Wages | 96,000 |
| Depreciation on Van | 2,000 |
| Carriage Outwards | 1800 |
| Rent and Rates | 14,000 |
| Postage | 6,000 |
| Cleaning | 6,000 |

|  |  |
| --- | --- |
| Gross Profit | 150,000 |
| Office Expenses | 30,000 |
| Wages | 80,000 |
| Depreciation on Machine | 16,000 |
| Carriage Outwards | 800 |
| Tax | 25,000 |
| Postage | 11,100 |
| Stationary | 7,500 |
| Bank Interest Paid | 1,000 |

**Working out Depreciation**

Depreciation is when a Fixed Asset loses value over time, usually down to reasons such as old age or obsolescence.

To work out Depreciation, it is always cost multiply by the % given. We always take Depreciation away as it reduces the value of a Fixed Asset.

Net Book Value means the value of the asset right now.

*Example:*

*Depreciation on Buildings and Machinery for XYZ Ltd is 10%.*

|  |  |  |  |
| --- | --- | --- | --- |
| Fixed Assets | Cost | Depreciation | Net Book Value |
|  | € | € | € |
| Buildings | 100,000 | **10,000** | **90,000** |
| Machinery | 50,000 | **5,000** | **45,000** |
| Total | 150,000 | **15,000** | **135,000** |

**Now draw these tables and try the following questions in your copy.**

*A. Depreciation is 10% on all Fixed Assets for WER Ltd*

|  |  |  |  |
| --- | --- | --- | --- |
| Fixed Assets | Cost | Depreciation | Net Book Value |
|  | € | € | € |
| Buildings | 200,000 |  |  |
| Machinery | 150,000 |  |  |
| Total |  |  |  |

*B. Depreciation on Buildings is 8% and Depreciation on Delivery Vans is 5% for GTY Ltd*

|  |  |  |  |
| --- | --- | --- | --- |
| Fixed Assets | Cost | Depreciation | Net Book Value |
|  | € | € | € |
| Buildings | 160,000 |  |  |
| Delivery Vans | 40,000 |  |  |
| Total |  |  |  |

**Combined Income Statement 1 and Income Statement 2**

Once you have mastered both the Income Statement 1 and Income Statement 2, the next step is to combine these together to complete the overall Income Statement for a business. In other words, the first figure you start with will be ***Sales***, and the final figure will be your ***Net Profit***.

***Sample Combined Income Statement***

Income Statement for QWE Ltd for year ended 31/12/2019

