

2nd year 2008/09

BUSINESS STUDIES

Trading,
Profit and Loss
Account

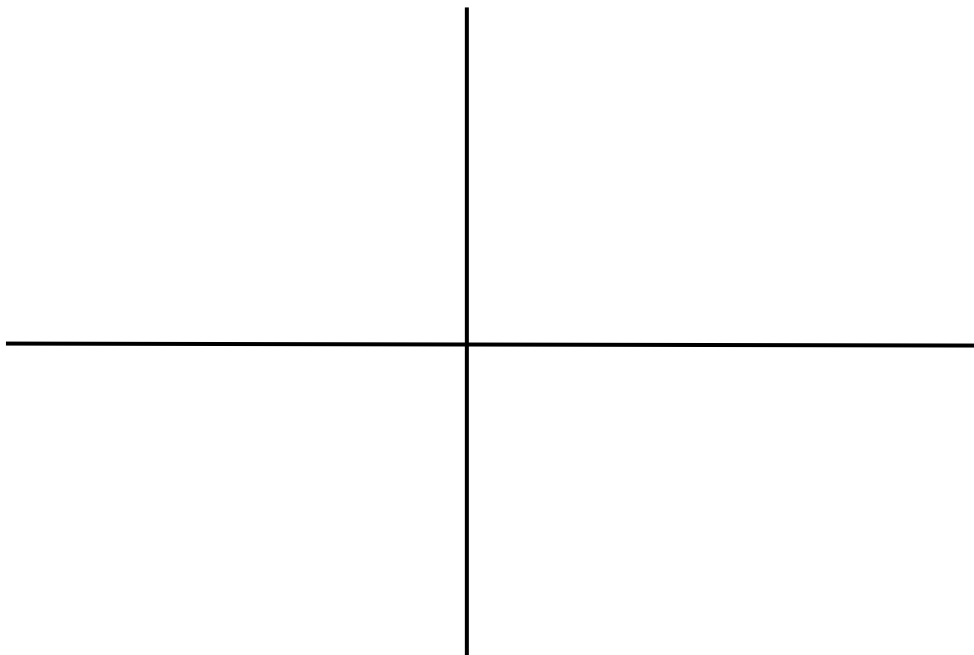
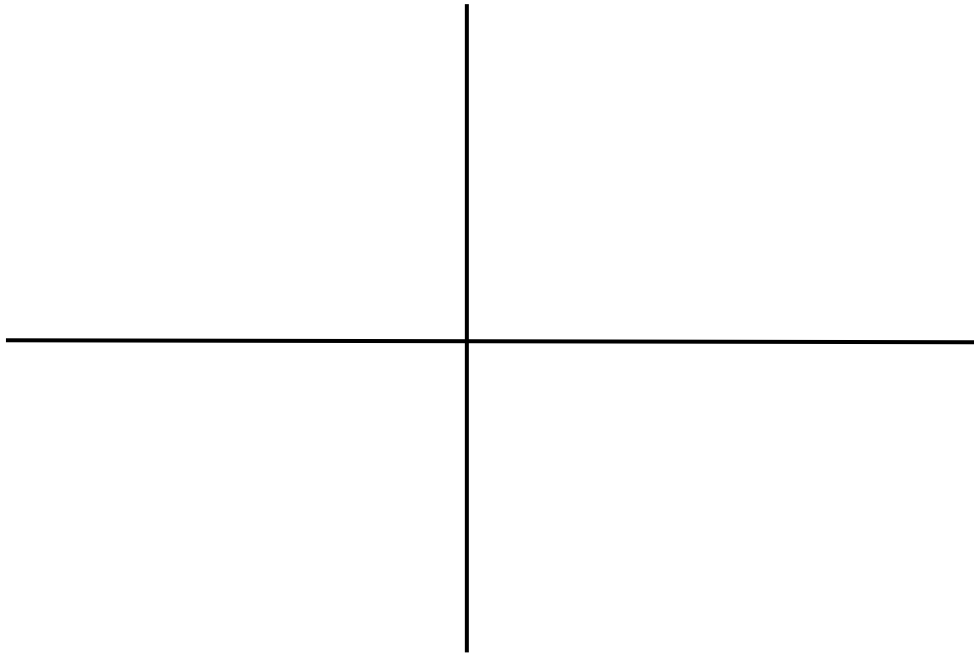
NAME: _____

CLASS: _____

*THIS BOOKLET SHOULD BE PLACED IN YOUR PORTFOLIO AFTER ITS USE
IN CLASS IS FINISHED*

Mr Foster

INTRODUCTION TO BOOK-KEEPING AND ACCOUNTING



Book-keeping



Accounting



THE TRADING, PROFIT AND LOSS ACCOUNT I

In each of the following questions you are to complete a Trading, Profit and Loss Account for the year ended indicated. Use the example done in class to help you with layout.

1. **Bowman Ltd 31|12|96**
Sales €300, Cost of Sales €200, Advertising €5, Insurance €9,
Rent €19, Wages and Salaries €40

2. **Ashmore Ltd 31|12|97**
General Expenses €80, Salaries €250, Wages €420, Cost of Sales €800
Sales €1500

3. **O'Doherty Ltd 31|12|98**
Postage €1000, Telephone €3000, Light and Heat €20,000
Sales €182,000 Wages €30,000 Cost of Sales €110,000

4. **Maxwell Ltd 31|12|99**
Sales €5000, Cost of Sales €3000, Wages €560, General Expenses €780,
Stationary €70, Postage €55

5. **McCarthy Ltd 31|12|00**
Electricity €8000 Salaries €50000 Cost of Sales €200,000
Insurance €4000 Advertising €13,000 Sales €270,000

6. **Freedman Ltd 31|12|01**
Wages €20,000 Rent €10,000 Sales €75,000 Advertising €5000
Cost of Sales €30,000 Postage €2000

THE TRADING, PROFIT AND LOSS ACCOUNT II

Carriage in

Customs Duty

Sales Return

Opening Stock

Closing Stock

Import Duty

COST OF SALES =

_____ + (_____ - _____) + _____ + _____ - _____

In each of the following questions you are to complete a Trading, Profit and Loss Account for the year ended indicated. Use the example done in class to help you with layout.

- 1. Blake Ltd 31|12|95**
Sales €140 Carriage in €12 Purchases €70 Customs Duty €8
Sales Returns €7 Opening Stock €10 Closing Stock €5
- 2. Knox Ltd 31|12|96**
Opening stock €15000 Import Duty €200 Purchases €40,000
Sales Returns €2000 Carriage in €3000 Purchases Returns €6000
Sales €60000 Closing Stock €20,000
- 3. Block Ltd 31|12|97**
Purchases €120,000 Sales €160,000 Sales Returns €15000
Purchases Returns €6000 Closing Stock €8000 Carriage in €2000
Opening Stock €9000 Customs Duty €8000
- 4. Nesbit Ltd 31|12|98**
Sales Returns €6000 Carriage in €1000 Sales €90,000
Closing Stock €15000 Purchases €50,000 Opening Stock €5000
Purchases Returns 10,000 Import Duty €1000
- 5. Simpson Ltd 31|12|99**
Closing stock €18,000 Opening Stock €2000 Purchases €80,000
Purchases Returns €7000 Sales Returns €2000 Import Duty €500
Sales €90,000 Carriage in €2500
- 6. Taylor Ltd 31|12|00**
Opening Stock €4000 Sales Returns €5000 Purchases €48000
Sales €70,000 Closing Stock €6000 Import Duty €1000
Purchase Returns €4000 Carriage in €3000

THE TRADING, PROFIT AND LOSS ACCOUNT III

Carriage out

Bad Debts

In each of the following questions you are to complete a Trading, Profit and Loss Account for the year ended indicated. Use the example done in class to help you with layout.

1. Newman Ltd 31|12|94

Sales €250,000 Repairs €5,000 Purchases €150,000
Sales Returns €15,000 Advertising €2,000 Wages €50,000
Opening Stock €20,000 Carriage in €500 Customs Duty €300
General Expenses €20,000 Rent Received €5000 Closing Stock €25,000
Purchase Returns €10,000

2. Denton Ltd 31|12|95

Purchase Returns €2000 Carriage out €7000
Salaries and Wages €45,000 Insurance €4000 Rent €15000
Sales €400,000 Purchases €300,000 Carriage in €1000
Closing stock €30,000 Opening stock €10,000 Sales Returns €20,000
Sundry Expenses €3000 Postage and Telephone €5500
Commission Received €25,000

3. Glover Ltd 31|12|96

Rent €2000 Carriage out €5000 Import Duty €3000 Bad Debts €2000
Purchases €180,000 Opening Stock €25,000 General Expenses €43,000
Interest Received €3000 Purchase Returns €8000
Commission Received €12,000 Sales €290,000
Closing Stock €40,000

4. Stillwell Ltd 31|12|97

Opening stock €22,000 Customs Duty €200 Rates €400
Purchases €300,000 Sales Returns €2000 Repairs €300 Stationary €5000
Light and Heat €45,000 Wages €55,000 Purchase Returns €20,000
Carriage in €2000 Closing stock €30,000 Sales €400,000
Post and Telephone €4000 Insurance €8000 Interest paid €6000
Rent Received €13,000

5. Black Ltd 31|12|98

Sales €20,000 Advertising 500 Carriage out €700 Purchases €15,000
Opening Stock €2,000 Closing Stock €3000 Carriage in €400
Sales Returns €400 Purchases Returns €200 Stationary €100
Wages €4000 Commission Received €600

6. Buckley Ltd 31|12|99

Delivery Van expenses €8000 Bad Debts €2000
 General Expenses €45,000 Rent Received €20,000 Rates €7000
 Sales €290,000 Purchase Returns €800 Purchases €200,000
 Carriage out €8000 Import Duty €4000 Sales Returns €2000
 Opening stock €18,000 Closing stock €24,000

7. Cahill Ltd 31|12|00

Closing Stock €18,000 Sales €400,000 Purchases €295,000
 Carriage in €3000 Advertising €3000 Rent €15000
 Wages and Salaries €62,000 Purchase Returns €15,000 Bad Debts €700
 Import Duty €1000 Opening Stock €35,000
 Commission Received €10,000 Interest Paid €4000
 Sales Returns €10,000 Sundry Expenses €2000 Stationary €4000

TRADING, PROFIT AND LOSS ACCOUNT: REVISION

Complete each of the following matching exercises

I.

1	Carriage in	A	The cost of transporting workers to their work
2	Sales Returns	B	The cost of transporting goods from the manufacturer to the trader
3	Carriage out	C	The value of goods returned by the trader to the manufacturer
4	Purchase Returns	D	The cost of transporting goods to customers
		E	The value of goods returned by customers

A	B	C	D	E

II.

1	Rent	A	The amount the company pays to a bank as a charge on a loan
2	Rent Received	B	The amount earned on a savings account
3	Interest Paid	C	The amount the company pays its landlord
4	Interest Received	D	The amount received from the government
		E	The amount the company received from a tenant

A	B	C	D	E

III.

1	Opening Stock	A	The goods available to be sold at the start of the trading year
2	Sales	B	The goods left unsold at the end of the trading year
3	Purchases	C	The amount earned by selling goods
4	Closing Stock	D	The value of goods bought during the trading year
		E	The cost of goods sold during the trading year

A	B	C	D	E

IV.

1	Cost of Sales	A	Sales – cost of goods sold
2	Net Profit	B	Cost of goods available –closing stock
3	Gross Profit	C	Gross profit – non trading revenue
4	Net Sales	D	Gross profit – Business expenses
		E	Sales – Sales Returns

A	B	C	D	E

V.

Place a tick (✓) in the appropriate columns to indicate where in the final accounts the following items should be entered.

	Trading Account	Profit and Loss Account
Carriage in		
Closing Stock		
Insurance		
Rent Received		
Import Duty		
Sales Returns		
Advertising		
Opening Stock		
Carriage out		
Commission Received		
Bad Debts		
Sales Returns		
Interest Received		
Purchases Returns		
Sundry Expenses		
Stationary		
Van Expenses		

VI.

Explain the difference between the following:

- Gross and Net Profit
- Carriage in and Carriage out
- Purchase Returns and Sales Returns
- Rent and Rent Received

VII. Why is Carriage in not considered to be a business expense?

VIII.

What is closing stock and how does it affect the final accounts?

IX.

An error was made in counting closing stock, the correct value was found to be €20,000 not €15,000 as originally counted.

What effect would this have on the gross profit of the business? Explain your answer.

X.

Outline the purpose of the following accounts:

- (a) The Trading Account
- (b) The Profit and Loss Account

XI.

- (a) Thomas Ltd has issued 200,000 €1 ordinary shares. A dividend of €40,000 was paid. Calculate the rate of dividend paid
- (b) A shareholder in Thomas Ltd owned 25,000 shares. Calculate the dividend she would receive.