

18.1 A drill to practise preparation of a simple P&L Account and a balance sheet

Business 1

Business 1 has balanced its accounts as shown below at the end of Period 1 (its first period of trading). Transfer the relevant balances to and from a P&L Account for the period, and present the firm's balance sheet at the end of the period.

NOTE: at the end of Period 1, Business 1's closing stock is valued at £80.

Response (original entries are coloured grey)

Sales		Purchases	
to P&L	700	balance at end of period	500
	<u>700</u>	to P&L	500
			<u>500</u>
Bank		Debtors	
balance at end of period	250	balance at end of period	100
Creditors		Capital	
	balance at end of period		balance at end of period
	50	c/f	380
			<u>380</u>
			<u>380</u>
			profit
			280
			<u>280</u>
			<u>380</u>
			b/f
			380
P&L Account for Period 1		Stock	
purchases	500	from P&L	80
c/f	280		
	<u>780</u>		
	<u>780</u>		
to capital	280		
	<u>280</u>		
sales	700		
closing stock	80		
	<u>780</u>		
	<u>780</u>		
b/f	280		
	<u>280</u>		

18.1 BUSINESS 1 balance sheet at end of period 1

Assets	
Stock	80
Debtors	100
Bank	250
	<u>430</u>
Liabilities	
Creditors	(50)
Net Assets	<u>£ 380</u>
Capital	<u>£ 380</u>

Business 2

Business 2 has balanced its accounts as shown below at the end of Period 1 (its first period of trading). Transfer the relevant balances to and from a P&L Account for the period, and present the firm's balance sheet at the end of the period.

NOTE: at the end of Period 1, Business 2's closing stock is valued at £50.

Response (original entries are coloured grey)

Capital		Bank	
<i>loss</i>	100	<i>balance at end of period</i>	80
<i>c/f</i>	<u>100</u>		
	<u>200</u>		
		<i>b/f</i>	100
Debtors		Sales	
<i>balance at end of period</i>	250	<i>to P&L</i>	<u>750</u>
			<i>balance at end of period</i> <u>750</u>
Purchases		Creditors	
<i>balance at end of period</i>	<u>900</u>	<i>balance at end of period</i>	120
		<i>to P&L</i>	<u>900</u>
P&L Account for Period 1		Stock	
<i>Purchases</i>	900	<i>from P&L</i>	50
	<u>900</u>		
<i>b/f loss</i>	<u>100</u>		
		<i>Sales</i>	750
		<i>closing stock</i>	50
		<i>c/f</i>	<u>100</u>
			<u>900</u>
		<i>to capital</i>	<u>100</u>

18.1 BUSINESS 2 balance sheet at end of period 1

Assets	
Stock	50
Debtors	<u>250</u>
	300
Liabilities	
Creditors	(120)
Bank	<u>(80)</u>
Net Assets	<u>£ 100</u>
Capital	<u>£ 100</u>