

## 24.1 A drill to practise extending the trial balance

For each trial balance given below, copy the relevant balances into the appropriate columns of the extended trial balance, and determine the firm's profit or loss for the period.

### Business A

NOTE: closing stock is valued at £1 490.

original balances in black    extended figures in blue and red

BUSINESS A	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		7 500		7 500		
purchases	5 700		5 700			
stock	1 100		1 100	1 490	1 490	
wages	1 230		1 230			
rent	120		120			
insurance	56		56			
electricity	144		144			
interest	40		40			
bank	900				900	
trade debtors	850				850	
trade creditors		740				740
loan		400				400
capital		1 500				1 500
profit			600			600
total	<u>10 140</u>	<u>10 140</u>	<u>8 990</u>	<u>8 990</u>	<u>3 240</u>	<u>3 240</u>

**Business B**

NOTE: closing stock is valued at £1 000.

original balances in black    extended figures in blue and red

BUSINESS B	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		7 500		7 500		
purchases	6 300		6 300			
stock	1 300		1 300	1 000	1 000	
wages	1 100		1 100			
rent	450		450			
advertising	100		100			
interest	40		40			
bank		600				600
trade debtors	1 400				1 400	
trade creditors		800				800
capital		1 790				1 790
loss				790	790	
total	<u>10 690</u>	<u>10 690</u>	<u>9 290</u>	<u>9 290</u>	<u>3 190</u>	<u>3 190</u>

## Business C

NOTE: closing stock is valued at £950.

The accountant of Business C is uncertain as to whether or not input A has been consumed. Compare the P&L Account and balance sheet prepared under the assumption that input A has been consumed, with the same prepared under the assumption that input A remains in the business as an asset.

### Response 1

If input A has been **consumed**, it should be shown as an **expense** in the P&L Account:

BUSINESS C	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		3 400		3 400		
purchases	2 300		2 300			
stock	800		800	950	950	
wages	780		780			
<b>input A</b>	100		<b>100</b>			
interest	20		20			
bank	500				500	
trade debtors	900				900	
trade creditors		800				800
capital		1 200				1 200
<b>profit</b>			<b>350</b>			<b>350</b>
total	<u>5 400</u>	<u>5 400</u>	<u>4 350</u>	<u>4 350</u>	<u>2 350</u>	<u>2 350</u>

The P&L Account and balance sheet will therefore look like this:

P&L Account			
<i>purchases</i>	2 300	<i>sales</i>	3 400
<i>opening stock</i>	800	<i>closing stock</i>	950
<i>c/f</i>	<u>1 250</u>		
	<u>4 350</u>		<u>4 350</u>
		<i>b/f</i>	
<i>wages</i>	780	<i>gross profit</i>	1 250
<b><i>input A</i></b>	<b>100</b>		
<i>c/f</i>	<u>370</u>		
	<u>1 250</u>		<u>1 250</u>
		<i>b/f</i>	
<i>interest</i>	20	<i>operating profit</i>	370
<i>c/f</i>	<u>350</u>		
	<u>370</u>		<u>370</u>
<i>to capital</i>	<u>350</u>	<b><i>b/f net profit</i></b>	<b><u>350</u></b>

24.1 Business C Balance Sheet	
Assets	
<b>Stock</b>	<b>950</b>
<b>Trade Debtors</b>	<b>900</b>
<b>Bank</b>	<b>500</b>
	<u>2 350</u>
Liabilities	
<b>Trade Creditors</b>	<b>( 800)</b>
<b>Net Assets</b>	<b><u>£1 550</u></b>
<b>Capital</b>	<b><u>£1 550</u></b>

## Business C - continued

### Response 2

If input A is **not consumed**, it should be shown as an **asset** in the balance sheet:

BUSINESS C	Trial Balance		P&L Account		Balance Sheet	
	DR	CR	DR	CR	DR	CR
sales		3 400		3 400		
purchases	2 300		2 300			
stock	800		800	950	950	
wages	780		780			
input A	100				100	
interest	20		20			
bank	500				500	
trade debtors	900				900	
trade creditors		800				800
capital		1 200				1 200
profit			450			450
total	<u>5 400</u>	<u>5 400</u>	<u>4 350</u>	<u>4 350</u>	<u>2 450</u>	<u>2 450</u>

The P&L Account and balance sheet will therefore look like this:

P&L Account				24.1 Business C Balance Sheet	
<i>purchases</i>	2 300	<i>sales</i>	3 400	Assets	
<i>opening stock</i>	800	<i>closing stock</i>	950	<b>Stock</b>	950
<i>c/f</i>	<u>1 250</u>		<u>4 350</u>	<b>Input A</b>	100
	<u>4 350</u>			<b>Trade Debtors</b>	900
<i>wages</i>	780	<i>b/f</i>		<b>Bank</b>	500
<i>c/f</i>	<u>470</u>	<i>gross profit</i>	1 250		<u>2 450</u>
	<u>1 250</u>		<u>1 250</u>	Liabilities	
<i>interest</i>	20	<i>b/f</i>		<b>Trade Creditors</b>	( 800)
<i>c/f</i>	<u>450</u>	<i>operating profit</i>	470	<b>Net Assets</b>	<u>£1 650</u>
	<u>470</u>		<u>470</u>	<b>Capital</b>	<u>£1 650</u>
<i>to capital</i>	<u>450</u>	<b>b/f net profit</b>	<u>450</u>		