

53.2 An exercise on accounting for losses of stock

A firm in its first period (with no opening stock) has recorded purchases £550 and sales £750. Closing stock is valued at £50. There are no other costs or expenses, but it is known that halfway through the year, stock valued at £20 was stolen.

Produce a P&L Account for the firm's first period.

Response

The value stolen must be taken out of purchases (and therefore out of cost of sales), because it was not sold. It should be included in the P&L Account below gross profit as an expense.

<i>P&L Account for Period 1</i>			
<i>Purchases</i>	550	<i>Sales</i>	750
		stock stolen	20
<i>c/f</i>	<u>270</u>	<i>closing stock</i>	<u>50</u>
	<u>820</u>		<u>820</u>
stock stolen	20	<i>b/f = gross profit</i>	270
<i>c/f</i>	<u>250</u>		
	<u>270</u>		<u>270</u>
		<i>b/f = operating profit</i>	250