

**21.1 A drill to practise transferring relevant balances to and from the P&L Account**

At the end of a period, each of the firms below has balanced its accounts as shown.

For each separate firm, transfer the relevant balances to prepare a full-length P&L Account, transfer the profit or loss for the period to the Capital Account, and prepare a closing balance sheet.

**Firm A**

NOTE: closing stock is valued at £75

**Response**

original entries in black    transfers in blue

<b>Sales</b> <u>to P&amp;L 700</u> <u>b/f 700</u>	<b>Purchases</b> <u>b/f 500</u> <u>to P&amp;L 500</u>	<b>Stock</b> <u>b/f 50</u> <u>to P&amp;L 50</u> <i>from P&amp;L 75</i>
<b>Wages</b> <u>b/f 80</u> <u>to P&amp;L 80</u>	<b>Electricity</b> <u>b/f 40</u> <u>to P&amp;L 40</u>	<b>Rent</b> <u>b/f 60</u> <u>to P&amp;L 60</u>
<b>Interest</b> <u>b/f 15</u> <u>to P&amp;L 15</u>	<b>Debtors</b> <u>b/f 95</u>	<b>Bank</b> <u>b/f 26</u>
<b>Creditors</b> <u>b/f 86</u>	<b>Capital</b> <u>c/f 110</u> <u>b/f 80</u> <u>110</u> <u>profit 30</u> <u>110</u> <u>110</u> <u>b/f 110</u>	

<b>P&amp;L Account</b>			
<i>purchases</i>	500	<i>sales</i>	700
<i>opening stock</i>	50	<i>closing stock</i>	75
<i>c/f</i>	225		
	<u>775</u>		<u>775</u>
<i>wages</i>	80	<i>b/f gross profit</i>	225
<i>electricity</i>	40		
<i>rent</i>	60		
<i>c/f</i>	45		
	<u>225</u>		<u>225</u>
<i>interest</i>	15	<i>b/f</i>	
<i>c/f</i>	30	<i>operating profit</i>	45
	<u>45</u>		<u>45</u>
<i>to capital</i>	30	<i>b/f net profit</i>	30
	<u>30</u>		<u>30</u>

<b>21.1 Firm A</b>	
<b>balance sheet at end of Period</b>	
Assets	
<b>Stock</b>	75
<b>Debtors</b>	95
<b>Bank</b>	26
	<u>196</u>
Liabilities	
<b>Creditors</b>	( 86)
<b>Net Assets</b>	<u>£ 110</u>
<b>Capital</b>	<u>£ 110</u>

**Firm B**

NOTE: closing stock is valued at £130

**Response**

original entries in black    transfers in blue

<b>Sales</b> <div> <div>to P&amp;L 800</div> <div>b/f 800</div> </div>		<b>Purchases</b> <div> <div>b/f 750</div> <div>to P&amp;L 750</div> </div>		<b>Stock</b> <div> <div>b/f 40</div> <div>to P&amp;L 40</div> <div>from P&amp;L 130</div> </div>	
<b>Wages</b> <div> <div>b/f 70</div> <div>to P&amp;L 70</div> </div>		<b>Electricity</b> <div> <div>b/f 30</div> <div>to P&amp;L 30</div> </div>		<b>Rent</b> <div> <div>b/f 20</div> <div>to P&amp;L 20</div> </div>	
<b>Interest</b> <div> <div>b/f 25</div> <div>to P&amp;L 25</div> </div>		<b>Debtors</b> <div> <div>b/f 110</div> </div>		<b>Bank</b> <div> <div>b/f 45</div> </div>	
<b>Creditors</b> <div> <div>b/f 200</div> </div>		<b>Capital</b> <div> <div>loss 5</div> <div>c/f 85</div> <div>90</div> <div>b/f 85</div> <div>b/f 90</div> <div>90</div> </div>			

  

P&L Account			
<b>purchases</b>	750	<b>sales</b>	800
<b>opening stock</b>	40	<b>closing stock</b>	130
<b>c/f</b>	140		
	<u>930</u>		<u>930</u>
<b>wages</b>	70	<b>b/f gross profit</b>	140
<b>electricity</b>	30		
<b>rent</b>	20		
<b>c/f</b>	20		
	<u>140</u>		<u>140</u>
<b>interest</b>	25	<b>b/f operating profit</b>	20
	<u>25</u>	<b>c/f</b>	5
			<u>25</u>
<b>b/f net loss</b>	5	<b>to capital</b>	5
	<u>5</u>		<u>5</u>

  

21.1 Firm B	
balance sheet at end of Period	
Assets	
<b>Stock</b>	130
<b>Debtors</b>	110
<b>Bank</b>	45
	<u>285</u>
Liabilities	
<b>Creditors</b>	( 200 )
<b>Net Assets</b>	<u>£ 85</u>
<b>Capital</b>	<u>£ 85</u>

**Firm C**

NOTE: closing stock is valued at £53

**Response**

original entries in black    transfers in blue

<b>Electricity</b> <div> <div>b/f 32</div> <div>to P&amp;L 32</div> </div>	<b>Purchases</b> <div> <div>b/f 300</div> <div>to P&amp;L 300</div> </div>	<b>Creditors</b> <div> <div></div> <div>b/f 37</div> </div>
<b>Wages</b> <div> <div>b/f 168</div> <div>to P&amp;L 168</div> </div>	<b>Capital</b> <div> <div>c/f 86</div> <div>b/f 66</div> <div>profit 20</div> <div>86</div> <div>86</div> </div>	<b>Rent</b> <div> <div>b/f 40</div> <div>to P&amp;L 40</div> </div>
<b>Interest</b> <div> <div>b/f 8</div> <div>to P&amp;L 8</div> </div>	<b>Debtors</b> <div> <div>b/f 82</div> </div>	<b>Bank</b> <div> <div></div> <div>b/f 12</div> </div>
<b>Sales</b> <div> <div>to P&amp;L 560</div> <div>b/f 560</div> </div>	<b>Stock</b> <div> <div>b/f 45</div> <div>to P&amp;L 45</div> <div>from P&amp;L 53</div> </div>	

<b>P&amp;L Account</b>			
<b>purchases</b>	300	<b>sales</b>	560
<b>opening stock</b>	45	<b>closing stock</b>	53
<b>c/f</b>	268		
	<u>613</u>		<u>613</u>
<b>wages</b>	168	<b>b/f gross profit</b>	268
<b>electricity</b>	32		
<b>rent</b>	40		
<b>c/f</b>	28		
	<u>268</u>		<u>268</u>
<b>interest</b>	8	<b>b/f</b>	
<b>c/f</b>	20	<b>operating profit</b>	28
	<u>28</u>	<b>c/f</b>	
			<u>28</u>
<b>to capital</b>	<u>20</u>	<b>b/f net profit</b>	<u>20</u>

<b>21.1 Firm C</b>	
<b>balance sheet at end of Period</b>	
<b>Assets</b>	
<b>Stock</b>	53
<b>Debtors</b>	82
	<u>135</u>
<b>Liabilities</b>	
<b>Creditors</b>	37
<b>Bank Overdraft</b>	12
	<u>( 49)</u>
<b>Net Assets</b>	<u>£ 86</u>
<b>Capital</b>	<u>£ 86</u>