

Managers use them for taking decisions

Managers use them for controlling the operations of a business

#### **Users of Accounts**

Used by shareholders, creditors, government, to check on company performance

**Usually computerised** 

#### Income Statement

An Income Statement can be presented in different ways, but many businesses divide it into two distinct sections:

- the trading account
- the profit and loss account.

It can be recorded by hand into an accounts ledger, or entered into a computer spreadsheet or accounts package.

Sales	££		£	£
revenue	140 718	Gross profit		
Opening stock		Expenses		64 51
Purchases	54 123 87 321	Rent Utilities	9 216 2 417	
Closing stock	07 521	Salaries Other	50 479 1 483	
Cost of	65 241	Total expenses		63 595
sales	76 203	Operating profit		920

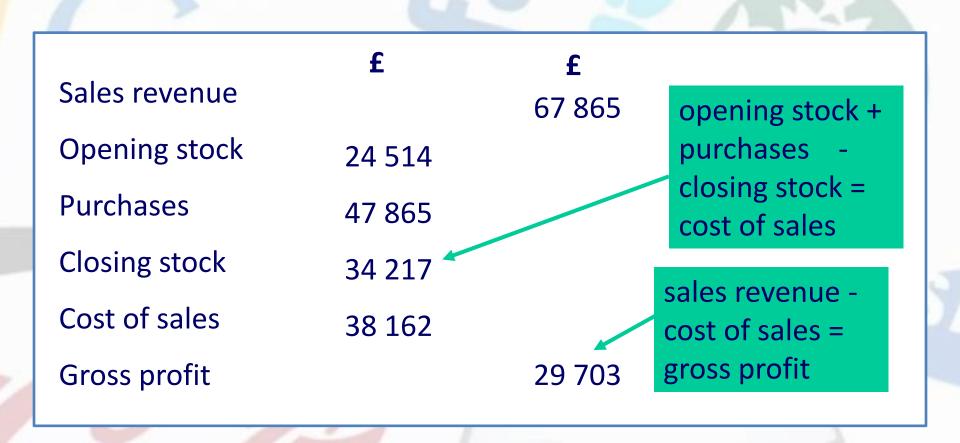
## 1. The trading account

The first section of the profit and loss account is called the **trading account**.

It shows the **revenue** the business earned from sales, the cost of production and changes in stock.

The business uses this data to work out how much **gross profit** it has made.

# Calculating the trading account



## Calculating a profit and loss account

Gross profit 29 703 **Expenses** 8 246 Salaries/wages Rent 3 456 **Utilities** 1897 Equipment 965 Other 587 15 151 Total expenses **Operating Profit** 14 552 Interest on loans 1 2 1 6 Net profit before tax 13 336

Total expenses = the sum of all the expenses

Gross profit total expenses = operating profit

Operating profit interest on loans
= net profit
before tax