



3055 BA SANGAM COLLEGE

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LESSON NOTES WORKSHEET 8

School: Ba Sangam College
Subject: Accounting

Year: 1101

Name: _____

Strand	4- Accounting Reports
Sub Strand	Final Accounts-Financial Performance
Content Learning Outcome	Prepare Fully classified Statement of Financial Performance and Position from Trial Balance

NOTES ON FINANCIAL STATEMENTS

A. Classification of Items in the Statement of Financial Performance for a Trading Entity

Revenue	The main source of income for a business from the core or normal part of its operations. E.g. Sale of inventory.
Other Income	This includes any other income earned by the business apart from the normal trading activities. E.g. rent received, commission received, bad debt recovered, discount received, doubtful debts (decrease), gain on sale of fixed assets, interest on investments etc.
Selling and Distribution expense	Costs that incurs in the selling, delivery and distribution of goods to the consumers : E.g. advertising, salesmen's salaries, delivery vehicle expense, depreciation on plant, depreciation on delivery vehicle, cartage outwards, warehouse expense, commission expense etc.
Administrative expense	Costs associated with the general running of the business. E.g. office expenses, electricity, cell phone expense, rent, insurance, accounting and audit fees, printing and stationery, general expenses, wages and salaries, depreciation on building, depreciation on office equipment etc.
Financial expense	Are expenses in connection with collecting debts, paying interest and allowing discounts? E.g. bad debts, discount allowed, interest on loan, doubtful debts, interest on mortgage.
Other expense	Any other expenses that do not fall in the three categories given above (Selling and Distributive, Administrative and Financial expense). E.g. theft, loss on sale of fixed assets, donations, damages caused by fire or flood etc.

Refer to page 115 for the example question and use the solution format provided to answer the activity question.

Activity Questions

Statement of Financial Performance

The following is the Trial Balance of Krisab Traders as at 30th September 2019.

Ledger Balances	Debit \$	Credit \$	<u>Additional Information:</u>
Sales		100 000	1. Interest payment on mortgage was at 10 % per annum. Some interest were due but were not paid out on balance day.
Purchases Returns		1 000	
Interest on Mortgage	2 500		
Office –Wages	20 000		2. Insurance premium is \$200 per month.
Insurance	2 400		
Goodwill	15 000		Two months insurance premiums were paid in advance.
Land and Buildings	50 000		
Equipment	20 000		
Accumulated Depreciation-Equipment		6 000	3. Increase the Provision for doubtful debts to \$2 000.
Office Furniture	5 000		
Cash at Bank	26 000		
Sales Returns	3 000		
Drawings	15 000		

Capital		120 020	4. Inventories (30th September 2019) \$20 000. Required: Prepare a fully classified Financial Performance of Krisab Traders " for the year ended 30th September 2019. (10 marks)
Office Expenses	4 430		
Interest received		1 260	
Debtors	14 500		
Creditors		14 520	
Inventories-(1 October,2018)	22 000		
Purchases	60 000		
Advertising	5 000		
Provision for doubtful debts		1 500	
Mortgage		30 000	
Stationery	2 650		
Lighting	5 620		
Customs Duty	1 200		
	\$274 300	\$274 300	

Krisab Traders
Statement of Financial Performance 30th September, 2019

	\$	\$	\$
Less Cost Of Goods Sold			
Gross Profit /Loss			
<u>Add Other Income</u>			
<u>Less Expenses</u>			
<u>Selling and Distribution Expenses</u>			
<u>Administrative Expenses</u>			
<u>Financial Expenses</u>			
<u>Total Expenses</u>			
<u>Less Other expenses</u>			
Net Profit or Net Loss			