

STRAND: 4

ACCOUNTING REPORTS

SUB STRAND: 4.1

FINAL ACCOUNTS

STATEMENT OF FINANCIAL PERFORMANCE

Lesson 1 Class Activity Solutions.

1. Freight inwards would be classified as

D. Cost of Sales

2. State the components of statement of financial performance.

a. INCOME- Divided into 2.

Revenue- is the core or normal part of its operations. E.g. Sale of inventory.

Other Income- 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.

b. EXPENSES

Selling and Distribution Expenses- Costs that incurs in the selling, delivery and distribution of goods to the consumers

Administrative Expenses- Costs associated with the general running of the business.

Financial Expenses- are expenses in connection with collecting debts, paying interest and allowing discounts

Other Expenses- any other expenses that do not fall in the three categories given

3. State the limitations of financial statements?

- Incorrect inventory valuations might result in inaccurate profits.
- Dose not include non-financial information.
- Allowance for D/D and Accumulated dep is based on estimates resulting in inaccurate NP.