

## Steps to complete a Trading, Profit and Loss and Appropriation

**NB – Learn template for trading, profit loss and appropriation so you know the layout, what figures go in each section and when to add and take away**

### Step one – Label

- Label each figure with where it will go such as for trading, gain, expenses, appropriation, bal sheet – fixed assets, current assets, current liabilities or financed by. Use abbreviations such as T, CA, CL to save time
- *Note – all figures on the bottom under the table of figures must go in twice. Figures in the table are used once.*
- Closing stock goes in trading and in current assets
- Dues or prepayments are added on and taken away from the figure they relate to and in current assets or current liabilities. For example, insurance prepaid is taken from insurance figure in the expenses section. It also goes in the balance sheet as a current asset because we now owe less money for our insurance.
- *Tip – put a star beside any figure that will be changed so you don't forget.*
- *Cross out figures as you go to make sure none are left out*
- Depreciation goes in expenses and the balance sheet as a FA



### Step two – Workings

Calculate depreciation, dividends etc. if dividend figure is not given to you then it is the percentage of ISSUED share capital not authorised. Issued is the amount actually sold. Authorised is the maximum shares they are allowed to sell



### Step three – Trading

- Use heading Trading, profit and loss and appropriation of (name of business) Y/E and the date given, usually the 31/12/ and the year.
- Start with the sales figure. if there are sale returns take them away in the second column and put figure in the third. If there are none just put the sales figure in the third column

Use a heading less cost of sales. Under this heading include:

1. Opening stock
2. Purchases
3. Carriage in
4. Import duties

Note: these may not all be in the question.

- Put the figures in the second column
- If there are purchase returns take them away in the first column and move final figure to the second column.
- Add the figures together and call this figure cost of goods available for sale
- Take away closing stock
- The figure you get is called cost of goods available for sale. Put this in the third column and take from sales figure.
- This gives you **gross profit**, this is profit before expenses

#### **Step four – Add gains, less expenses**

- We then add gains to the gross profit in the third column if there are any in the questions. These are anything receivable such as rent and interest. If there are any dues or prepayments don't forget to add them
- We then take away expenses
- List them and place figure in the second column if it has no workings. If it has a working do this in the first column and then move it across to the second. Examples of expenses include bills such as light and heat, insurance, wages, etc.
- Next total the expenses calling the figure total expenses and put in the third column.
- Take it away from the gross profit plus gains figure to give you **net profit**. This is profit after expenses

#### **Step five – Appropriation**

- In this section we do two things.
- Firstly, add reserves from last year. This is the profit from last year that is being put back into the business.
- Secondly take away dividends. This is the profit given to shareholders. The figure may have been given to you or you may have to calculate it by getting the percentage given to you of issued share capital. As we learnt earlier, this is the amount they sold. Authorised is the maximum amount they can sell
- This gives you closing profit and loss reserve. This figure will be used at the end of the balance sheet