

Financial Statements Task

Using the data, you are about to analyse the business of Mark who is a sole trader operating a car repair shop.

Remember,

Income Statement or Profit-Loss Account	Balance Sheet
<ul style="list-style-type: none">• Your goal is to find the Gross and Net Profit• Remember the formulas for Gross and Net Profit:• <i>Gross Profit = Revenue – cost of sales</i>• <i>Net Profit = Gross Profit - expenses</i>	<ul style="list-style-type: none">• Lists the assets (what you own) and liabilities (what you owe)• To find the Working Capital, simply <u>subtract current liabilities</u> from current assets

Task 1 (4 marks)

Using the following data, create an Income Statement for 2013. You will need to calculate the Gross Profit, the formula is above. Once you have the Gross Profit, you can then calculate the Net Profit.

Use the following data:

- £100,000 Income from Sales, £30,000 cost of sales, find the **Gross Profit**.
- Expenses are the following: £30,000 in wages, £10,000 in utilities, £5000 in materials, and £5000 in advertising.
- What is the **Net Profit**?

Task 2 (4 marks)

Create a Balance Sheet, using the following data.

Mark set up his business last month with £3500 he saved and a £2500 bank loan. Mark also spent £2000 on a large van, and £1000 on a new Apple computer. Mark currently has £1600 of stock, which he has bought from his friend Mike, a creditor, and now has £2200 in the bank. Mark has also sold his goods, worth £800, to another friend, Vincent, who promises to settle up with him soon. What will his **balance sheet** look like?

Task 3

In 2012, Mark's Gross profit margin was 60% and Net profit margin was 35%.

- a. Why is the net profit margin lower than the gross profit margin? **(2 marks)**

- b. In your opinion, which year was better in terms of performance? **(6 marks)**

Task 4

In 2013, Mark's main competitor George's Gross profit margin was 55% and Net profit margin was 15%.

- a. In your opinion, which business was better in terms of performance? **(6 marks)**
