|  |  |
| --- | --- |
| **Perfect Plumbing - plumbing services** |  |
|  |  |  |
| Pete Brown trades as a self-employed sole trader providing plumbing services and goods.  |
|  |  |  |
| Pete's Accountant provides him with a questionnaire and he has assembled the following information. Make use of this to compile the Income Statement for 2015. Pete's financial year starts 01April in one year and finishes on 31March the next year.  |
|  |  |  |
|  |  | £ |
| 1. In the year his clients paid him
 | 40,450 |
| 1. Carried forward from the last financial year was stock valued at
 | 250 |
| 1. During the financial year Pete's business purchased stock to the value of
 | 3,500 |
| 1. At the end of the financial year the business had "left over" stock valued at
 | 125 |
| 1. Travel costs totalled
 | 400 |
| 1. Pete's Motor vehicle incurred costs of
 | 300 |
| 1. To Market his business Pete places small advertisements in shops and local newspapers that cost
 | 125 |
| 1. General administrative costs (stationery etc.)
 | 70 |
| 1. Pete employs a plumber's mate on a part-time basis
 | 9,000 |
| 1. Pete sold a van that he had used for the business for many years
 | 1,200 |
|  | 1. Pete's business is registered as a Sole trader, and therefore any Profit is taxed the same as his income. Pete pays tax at 20% on his income
 |  |

1. **Compile the 2015 Income Statement for Pete's business** *(suggest you use pencil for this)*
2. **In 2016 Pete’s figures changed: sales + 1%; advertising + 5%; purchases + 25%; wages + 20%. All other income and expenditure remains the same except for the van sale. Closing stock for the year is £75. Compile the 2016 Income statement.**
3. **Evaluate the calculations profit calculations to assess the performance of a business**
4. **Identify and explain the main components of an income statement.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2015 |  | 2016 |
| **Income**  | £ | £ |  | £ | £ |
|  | Sales revenue |  |  |  |  |  |
|  | Other income (sale of van) |  |  |  |  |  |
|  |  |  |  |  |  |  |
| ***less* Cost of sales** |  |  |  |  |  |
|  | Opening stocks |  |  |  |  |  |
|  | Purchases |  |  |  |  |  |
|  | Closing stocks |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Gross profit** |  |  |  |  |  |
|  | *less* Expenses |  |  |  |  |  |
|  | Travel and subsistence |  |  |  |  |  |
|  | Motor expenses |  |  |  |  |  |
|  | Marketing |  |  |  |  |  |
|  | General administrative costs |  |  |  |  |  |
|  | Employee costs |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Operating profit** |  |  |  |  |  |
|  | *plus* Income from investments |  |  |  |  |  |
|  | *less* Interest on loans  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Profit before tax** |  |  |  |  |  |
|  | *less* Taxation at 20% |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Profit for the year** |  |  |  |  |  |