Final Accounts

Learning Intentions

At the end of this lesson students will be able will:

* Be able to prepare a profit and losss [ income statement ]and a Balance Sheet ]statement of financial position

# Introduction

Did you know? Excel makes accounting easy! The formulas are inserted, and you enter the figures, press a button and the final accounts are calculated.

Final accounts show the profitability and financial position of a business or organisation.

Final accounts are prepared at the end of an [accounting period](http://www.businessdictionary.com/definition/accounting-period.html), usually a year, for example, 31/12/2019.

The final accounts consist of two major accounts:

1. Profit and loss account [Income Statement]- showing the profit for the year.

2. Balance Sheet [Statement of Financial Position ]– showing assets and liabilities at a particular date.

These two accounts show the [gross profit](http://www.businessdictionary.com/definition/gross-profit.html), net profit, and [distribution](http://www.businessdictionary.com/definition/distribution.html) of net profit [figures](http://www.businessdictionary.com/definition/figure.html) of the business or organisation.

|  |  |  |  |
| --- | --- | --- | --- |
| **Profit and Loss account of [ Insert Mini-company name]s for year ended --/--/--** | | | |
|  |  | **€** | **€** |
| **Sales** |  | x |  |
| **Sales returns** |  | x | x |
| ***Less* Cost of sales** |  |  |  |
| Opening Stock |  | x |  |
| Purchases | x |  |  |
| ***Less*** Purchases Returns | x |  |  |
| Net Purchases |  | x |  |
| **Cost of goods available for sale** |  | x |  |
| ***Less* Closing Stock** |  | x |  |
| **Cost of sales** |  |  | x |
| **Gross Profit** |  |  | x |
|  |  |  |  |
| ***Less* Expenses** |  |  |  |
|  |  | x |  |
|  |  | x |  |
|  |  | x |  |
|  |  | x |  |
|  |  | x |  |
|  |  | x |  |
|  |  | x |  |
| **Total Expenses** |  |  | x |
| **Net Profit** |  |  | x |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Balance Sheet of [ Insert mini-company name] as at --/--/--** | | | | |
|  | **Cost**  **€** | | **Dep**  **€** | **NBV**  **€** |
| **Fixed Assets** |  | |  |  |
|  | x | |  | x |
|  | x | |  | x |
|  | x | | x | x |
|  | x | |  | x |
| **Total Fixed Assets** | x | | x | x |
| **Current Assets** |  | |  |  |
|  | x | |  |  |
|  | x | |  |  |
|  | x | |  |  |
|  | x | | x |  |
| **Current Liabilities** |  | |  |  |
|  | x | |  |  |
|  | x | | x |  |
| **Working Capital** |  | |  | x |
| **Total net Assets** |  | |  | x |
|  |  | |  |  |
| **Financed by** |  | |  |  |
| Capital |  | | x |  |
|  |  | | x | x |
| **Long-term liability** |  |  | |  |
|  |  | |  | x |
| **Capital Employed** |  | |  | x |

# Summary of Accounts

1. Profit and loss account [ Income Statement]

The Profit and loss is a picture of the mini-company income versus the mini-company expenses. It shows the profit.

Net profit is the actual profit made by the min-company when expenses have been deducted from the gross profit.

* What income the mini-company made?
* What expenses did the mini-company incur?
* Did the mini-company make a **profit or loss?**

(Profit = Income is greater than expenses)

(Loss = Income is less than expenses)

## 2. Balance Sheet: Statement of Financial Position

The statement of financial position is a list of assets and liabilities..

It is a **financial snapshot** of your mini-company on that date.

## 3 Cash Budget - How much cash do you have?

* How much cash do you pay out?
* Do you have access to cash in case of shortfalls? You need to pay bills as they fall due. Otherwise you’re in trouble!