

**Final Accounts**

**Balance Sheet**  
Statements of assets, liabilities, and share capital on a particular day  
What they company owns and owes

**Importance**  
Fixed Assets : have the company got security to offer for any loans  
Working Capital: tells managers if the business has enough cash to pay its bills  
Financed by: tells managers if the company has too many loans / will it need more loans/  
Banks unwilling to lend to companies with too many loans

**Current Assets**  
Items the business own and will hold for less than a year ( debtors, cash)

**Fixes Assets**  
Items the business owns that they will keep for more than a year ( equipment)

**Assets**  
Items/money a company owns

**Lon-term Liabilities**  
Debts that will be repaid in the long term (mortgage)

**Current Liabilities**  
Debts that have to be repaid within one year (creditors)

**Liabilities**  
Debts that a business owes

**Working Capital**  
Current assets - current liabilities  
Money available to pay short term debts  
CA > CL ( firm is liquid)  
CA < CL ( firm is illiquid)

**Reserves**  
Profits saved up over the years

**Share Capital**  
Money invested in the company by the owners or shareholders

**1. Trading Account**

**Gross profit**  
A low gross profit figure tells suggests selling price is too low and that they should consider increasing it to increase profit

**Level of expenses**  
If they've increased they must be investigated and controlled to increase profits

**Net profit**  
By comparing the figure with the previous year the company has an idea of how it performed.  
Also dictates the amount of dividends that can be paid

Shows gross profit or gross loss  
Profit made from buying and selling goods before deducting expenses  
 $Sales - Cost\ Of\ Sales = Gross\ Profit$   
 $Cost\ of\ Sales = opening\ Stock + purchases - closing\ stock$

**Profit and Loss**  
Net profit or net loss made in the trading period  
 $Gross\ profit - Expenses = Net\ profit$

**Importance**