

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

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

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

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

Importance