**Service Firm Accounts**

Service firms are businesses that are set up to earn a profit from providing a service rather than from buying and selling. They include hairdressers, taxi firms, accountants, dentists, doctors, gymnasiums. Just like other businesses, they should keep a proper set of accounts for the following reasons.

* To find out the profit or loss of the business.
* To keep records of the amounts owing to and by them.
* To find the value of assets and net worth of the business.
* To find the value of closing stock of saleable items
* To present to the revenue commissioners

Service firms usually have a few fixed assets and their main source of income is the fees they charge for their services.

**The Accounts**

***Statement of Capital/Reserves***

* Prepared to find the net worth or value of a service firm at a particular time.
* Similar to the accumulated fund of a club.
* List of assets and liabilities at the beginning of the account period.

|  |  |  |
| --- | --- | --- |
| **Statement of Capital And Reserves for Xy Ltd on xx/xx/xx** | | |
|  | | |
| **Assets** |  |  |
| Building/Equipment/Vehicles ( at NBV) |  |  |
| Cash |  |  |
| Bank |  |  |
| Investment |  |  |
| Stock |  |  |
| Fees |  |  |
| Furniture |  |  |
| Expenses Prepaid |  |  |
| Income Due |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Liabilities** |  |  |
| Creditors for Supplies |  |  |
| Loan |  |  |
| Loan Interest Due |  |  |
| Issued Share Capital |  |  |
| Receipts Prepaid |  |  |
| Expenses due |  |  |
| Bankoverdraft |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| Reserves at 1/1/20-- |  |  |
| **Note: Fixed Assets must be included here at their book value** |  |  |

***Special Purpose Profit and Loss Account***

* Prepared when income is earned from a different but related activity, e.g. shop selling products in a fitness centre.

|  |  |  |
| --- | --- | --- |
| **Shop Trading, Profit and Loss Account of Xy Ltd for the Year Ended 31/12/xxxx** | | |
| Sales |  |  |
|  |  |  |
| **Less Cost of Sales** |  |  |
| Opening Stock |  |  |
| Add Purchases |  |  |
|  |  |  |
| Less Closing Stock |  |  |
| **Gross Profit** |  |  |
| **Less Expenses** |  |  |
| Light and Heat |  |  |
| Insurance |  |  |
| Telephone |  |  |
| **Net Profit** |  |  |

***Profit and Loss Account***

* Profit and loss of a service firm.
* Takes into account accruals and prepayments.

|  |  |  |
| --- | --- | --- |
| **Profit and Loss of XY Ltd for Year Ended 31/12/XX** | | |
| **Income** |  |  |
| Receipts from clients |  |  |
| Profit on the sale of…. |  |  |
| Interest from Investment |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Expenditure** |  |  |
| Expenses, e.g,Wages, telephone, postage, etc |  |  |
| Loss on the sale of an asset |  |  |
| Depreciation |  |  |
| Loan Interest |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
| **Net Profit** |  |  |
| Add Reserves 1/1/xx |  |  |
| Profit and Loss Balance 31/12/xx |  |  |

***Balance Sheet***

Balance Sheet is presented in the same way as any other organisation.

|  |  |  |  |
| --- | --- | --- | --- |
| **Balance Sheet of XY Ltd as at 31/12/XX** | | | |
| **Fixed Assets** | **Cost** | **Depreciation** | **Net Book Value** |
| Land & Buildings |  |  |  |
| Equipment |  |  |  |
| Vehicles |  |  |  |
|  |  |  |  |
| **Financial Fixed Assets** |  |  |  |
| Investments |  |  |  |
|  |  |  |  |
| **Current Assets** |  |  |  |
| Closing Stock |  |  |  |
| Debtors |  |  |  |
| Expenses PP |  |  |  |
| Cash/Bank |  |  |  |
| Gains Due |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Creditors: Amount Due in less than one year** |  |  |  |
| Expenses Due |  |  |  |
| Bank overdraft |  |  |  |
| Gains Prepaid |  |  |  |
| Creditors |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Financed By** |  |  |  |
| **Creditors: Amount due after one year** |  |  |  |
| Loan |  |  |  |
| **Capital and Reserves** | **Authorised** | **Issued** |  |
| Ordinary Shares |  |  |  |
| Revaluation Reserve |  |  |  |
| Profit and Loss balance |  |  |  |
| **Capital Employed** |  |  |  |

**Workings**

***Working 1 – Depreciation of Fixed Assets***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DR** |  |  |  |  | **CR** |
| **Date** | **Details** | **€** | **Date** | **Details** | **€** |
| ***Asset Account A/C*** | | | | | |
| 01/01/xx | Balance b/d |  | Xx/xx/xx | Disposal | Xx |
| 01/01/xx | Purchased/Extension |  | 31/12/xx | Balance c/d | xx |
| 31/01/xx | Revaluation |  |  |  |  |
|  |  | xx |  |  | Xx |
| 01/01/xx | Balance b/d | xx |  |  |  |
|  |  |  |  |  |  |
| ***Depreciation A/C*** | | | | | |
| 31/12/xx | Disposal | Xx | 01/01/xx | Balance b/d | Xx |
| 31/12/xx | Revaluation | xx | 31/12/xx | P+L | Xx |
|  |  | xx |  |  | xx |
|  |  |  |  |  |  |
| ***Disposal A/C*** | | | | | |
| 01/07/xx | Vehicle (cost) |  | 01/07/xx | Depreciation |  |
| 01/07/ | P+L ( Profit ) |  | 01/07/xx | Proceeds from sale |  |
|  |  |  | 01/07/xx | P+L ( Loss ) |  |
|  |  | Xx |  |  | xx |
|  |  |  |  |  |  |
| ***Revaluation A/C*** | | | | | |
| 31/12/xx | Balance c/d |  | 31/12/xx | Amount of revaluation | Xx |
|  |  |  | 31/12/xx | Depreciation to date on revalued item | Xx |
|  |  | Xx |  |  | Xx |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

***Working 2 – Loan***

|  |  |
| --- | --- |
| Steps |  |
| 1. Find x months’ interest |  |
| 1. Find expense for this year and due on 1/1/ |  |
|  |  |
|  |  |
| Total Repayment |  |
| Less amount of loan originally |  |
| x months’ interest |  |
|  |  |
| Interest per month |  |
|  |  |
| Interest due 1/1/ (SOC) |  |
| Expense for this year (P+L) |  |

***Working 3 – Investments***

|  |  |
| --- | --- |
| **Objective: Find the amount of interest due at the year end.** |  |
| Amount of investment | SOC ( A ) & BS ( FA ) |
| Amount we should have received | Profit & Loss ( Income ) |
| Due at Year End | BS (CA ) |

***Working 4 - Clients Fees***

Clients’ fees can be either from private clients or, in the case of dentists and doctors, there may also be public fees. (Fees from insurance schemes)

**Clients Fees are adjusted for amounts due or prepaid at the beginning and the end of the period.**

|  |  |
| --- | --- |
| Amount Received |  |
| Less due at start | SOC ( A ) |
| Add Prepaid at start | SOC ( L ) |
| Add due at end | BS ( A ) |
| Less Prepaid at end | BS ( L ) |
| Profit and Loss ( Income ) |  |

***Working 5 – Materials Used in the business***

When there are opening and closing stocks of any material, a working should be shown to calculate the amount used during the year, e.g. dental material use.

|  |  |  |
| --- | --- | --- |
| Opening Stock |  | SOC ( A ) |
| Add Purchases |  |  |
| Less creditors 01/01/xx |  | SOC ( L ) |
| Add creditors 31/12/xx |  | BS ( L ) |
| Less Closing Stock |  | BS ( A ) |
| Less Charge to Shop |  | Shop Profit & Loss |
| Amount Used |  | Expense in Profit and loss |
| Profit & Loss ( Expense ) |  |  |

***Working 6 – Accrual or Prepayment***

|  |  |
| --- | --- |
| Contracting Cleaning Paid |  |
| Less Due 1/1/ | SOC ( L ) |
| Add Prepaid 1/1 | SOC ( A ) |
| Add due 31/12 | BS ( L ) |
| Less Prepaid 31/12 | BS ( A ) |
| Profit & Loss ( Expense ) |  |