BOOKKEEPING WEEK2018
5–9 NOVEMBER

aat

Advanced Bookkeeping – Final Accounts Preparation

FLASH CARDS

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CALCULATING PROFIT MARGIN

Profit as a percentage of sales price

To calculate the profit margin percentage, divide the gross profit by the selling price and then multiply by 100.

$$\frac{\text{Gross profit}}{\text{Selling price}} \times 100 = \text{Profit margin \%}$$

CALCULATING PROFIT MARK-UP

Profit as a percentage of cost of goods sold

To calculate the profit mark-up percentage, divide the gross profit by the cost and then multiply by 100.

$$\frac{\text{Gross profit}}{\text{Cost price}} \times 100 = \text{Profit margin \%}$$

HOW DO WE ACCOUNT FOR CARRIAGE OUT AND CARRIAGE INWARDS?

Carriage out is the cost of delivery when it is paid for by the seller. This is included as a separate expense in the seller's Statement of Profit or Loss.

Carriage inwards is a cost to the buyer when the buyer is expected to pay delivery costs. This is added to purchases in the Statement of Profit or Loss.

THE STATEMENT OF PROFIT OR LOSS

Calculating the profit for the period

The Statement of Profit or Loss is prepared for a financial period, and shows the income less the cost of goods sold, and expenses of the business, to calculate the profit or loss for the period.

THE STATEMENT OF FINANCIAL POSITION

A snapshot of the business

The Statement of Financial Position gives the value of a business on a specific date at the end of the financial period; it shows assets minus liabilities to give the capital/equity of the business.

GOODWILL IN PARTNERSHIPS. WHEN IS IT USED?

Goodwill is calculated as the difference between the net assets of the partnership (assets minus liabilities) and the value of the partnership as a whole. It is an intangible asset and includes customer loyalty and the reputation of the business.

Goodwill is used to value the partnership when a new partner joins and/or an existing partner retires.

EQUITY

How the business is financed

Equity is the investment that the owners have made in the business. In a limited company this is the share capital plus retained profit. In a sole trader or partnership this is the capital that the owners have invested plus any retained profit.

WHAT IS THE GOING CONCERN CONCEPT?

Complying with the going concern concept means that an entity's financial statements are prepared based on the assumption that it will continue to operate for the foreseeable future.

LIMITED LIABILITY

What does it mean?

Limited liability companies and limited liability partnerships are incorporated and are a legal entity separate from their owners or shareholders. This means that the liability of the shareholders or partners is limited to the amount they have invested.

TRUSTEES

What are they and what do they do?

The trustees of a charity are the people who take decisions about the way in which the charity is run. Trustees are not usually paid by the charity but in certain situations may be liable for the debts of the charity.