**KEYWORDS**

**Income Statement** - This is made up of 3 account – 1. Trading

Account, 2. Profit and loss account and the Appropriation account.

**Trading Account -** This section calculate the gross profit (or

loss) of the company. This is calculated by taking the cost of good

sold from sales

**Profit or Loss -** This is also known as the expense section and is

used to calculate the net profit. This is calculated by take the

total expenses from the Gross Profit figure

**Appropriation Account -** This section shows how much dividend

were given to shareholders (Taken away) and how much reserves

(money left over) (added on) the company has.

**Net Profit** -This is when expenses are less than the Gross Profit

**Net Loss** -This is when expenses are greater than Gross Profit

**Capital Expenditure** -This is the money that is spent on items

that will last for a long time in the business. These items are also

known as fixed assets and included – Premises, Vehicles

**Current Expenditure -** These are day to day expenses and are

used to run the company. They are also known as revenue

expenditure and examples include Wages, Insurance.

**Capital Structure** - This is the money that the business is given.

It can come from a loan, selling shares or retained earnings.

**Fixed Assets** - These are items that a business has for long term

use. They depreciate over time and include premises, Machinery,

**Current Assets** -These are assets that can be quickly converted

into cash – usually within one year. Example include – Closing

Stock, Debtors, Cash and bank

**Creditors falling due** - These are short-term debts owed by the

business. They include Bank overdraft, Unpaid bills and Creditors

**Working Capital -** This is the different between Current Assets

and Creditors failing due within one year. It also set out the

liquidity of the business. This is how quickly the business can

generate income to pay their short-term debts

**Total Net Assets - T**his is the net worth of the business and is

calculate by adding the Fixed assets to the working capital. It

shows the worth of the business

**Capital Employed -** This is the total of the financed by section

It is made up of Long-term loans, share capital (Authorised and

Issued) and Closing reserve form the Income Statement

**Capital -** This is the money that is invested into a business and

used to generate income.

**Equity Capital -** This is money that is given by shareholders or

profits that is put back into the business

**Debt Capital Def** This is money that the business raises from borrowing such as loans

**Authorised capital Def** This is the amount of finance a company can raise through the issue of shares

**Issued Capital Def** This is the amount of fiancé that the company has risen form issuing shares

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**SELF TEST QUESTIONS**

1. Explain the difference between capital and current expenditure

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2Identify different types of business expenses

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3. Describe the purpose of a statement of financial position

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4. Distinguish between fixed assets, current assets and creditors

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5. Prepare an Income Statement and net profit  
6. Calculate the reserve for a business s(Appropriation account)  
7. Prepare a statement of financial position

**STATEMENT OF FINANICAL POSITION**

**INCOME STATEMENT**

