

Income Statement  
(2.13 - Financial Statements)



**Income Statement**

**Definition**

This is made up of 3 account - 1. Trading Account, 2. Profit and loss account and 3. the Appropriation account.

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**Trading Account**

**Definition**

1. This section calculated the gross profit (or loss) of the company.
2. This is calculated by taking the cost of good sold from sales

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**Profit or Loss**

**Definition**

1. This is also known as the expense section and is used to calculate the net profit.
2. This is calculated by take the total expenses from the Gross Profit figure

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**Appropriation Account**

**Definition**

1. This section shows how much dividend were given to shareholders (Taken away)
2. and how much reserves (money left over) (added on) the company has.

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**Net Profit**

**Definition**

1. This is when expenses are less than the Gross Profit

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**Net Loss**

**Definition**

this is when expenses are greater than Gross Profit

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**Capital Expenditure (Fixed Assets)**

**Definition**

1. This is the money that is spent on items that will last for a long time in the business.
2. These items are also known as fixed assets and included - Premises, Vehicles

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**Current Expenditure**

**Definition**

1. These are day to day expenses and are used to run the company.
2. They are also known as revenue expenditure and examples include Wages, Insurance.

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**Capital Structure**

**Definition**

1. This is the money that the business is given.
2. It can come from a loan, selling shares or retained earnings.

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**Fixed Assets**

**Definition**

1. These are items that a business has for long term use.
2. They depreciate over time and include premises, Machinery,

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**Current Assets**

**Definition**

1. These are assets that can be quickly converted into cash - usually within one year.

Example include - Closing Stock, Debtors, Cash and bank

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**Creditors falling due**

**Definition**

1. These are short-term debts owed by the business.
2. They include Bank overdraft, Unpaid bills and Creditors

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**Working Capital**

**Definition**

1. This is the different between Current Assets and Creditors failing due within one year.
2. It also set out the liquidity of the business. This is how quickly the business can generate income to pay their short-term debts

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**Total Net Assets**

**Definition**

1. This is the net worth of the business and is calculate by adding the Fixed assets to the working capital.
2. It shows the worth of the business

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**Capital Employed**

**Definition**

1. This is the total of the financed by section
2. It is made up of Long-term loans, share capital (Authorised and Issued) and Closing reserve form the Income Statement

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**Capital**

**Definition**

1. This is the money that is invested into a business and used to generate income.

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**Equity Capital**

**Definition**

1. This is money that is given by shareholders or profits that is put back into the business

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