

Jake's Bikes Trading and Profit & Loss Account 2010/11

SALES	<u>£64,611</u>
opening stock	£9,579
purchase of stock	£27,296
wages (other than Jake's)	£14,934
portion of Jake's wage (bike work)	£4,650 (1)
closing stock	-£13,488
COST OF SALES	<u>£42,972</u>
GROSS PROFIT	<u>£21,639</u>
LESS: OVERHEADS AND EXPENSES	
Travel	£23
Rent, rates, insurance	£4,423
Portion of Jake's wage (admin etc.)	£4,650 (1)
Repairs etc.	£154
Legal fees etc.	£532
Bank charges	£97
Office costs	£3,554
Other	£1,028
TOTAL EXPENSES	<u>£14,461</u>
NET TRADING PROFIT	<u>£7,178</u> (2)
LESS: OTHER OPERATING COSTS	
Reinvested in stock	-£3,909 (2)
Rent deposit on new premises	-£3,300
NET PROFIT OR LOSS	<u>-£31</u> (3)

Notes:

- (1) Jake spent roughly half his time on trading activities (talking to customers, building & servicing bikes, etc.), and half on other work (admin, accounts, ordering stock, website, business development etc.). Only half of his wage is therefore apportioned as a cost of trading; the other half is apportioned as an overhead. See also note (3) below.
- (2) A net profit was made, but it was entirely reinvested in new parts, bikes, tools and shop fittings: the value of goods in stock is higher at the end of the accounting period than at the start.
- (3) After the investment in stock is taken into account a small loss was made. This loss was effectively deducted from Jake's wage. Jake's gross annual wage for 2010/11 was therefore £9,269

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- not VAT registered -

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