

Presentation of financial statements

Where profit and loss accounts, balance sheets, cash flow forecasts and budgets are given in case studies or examination questions, they will be presented in the format shown in figure 6–11. Students should be familiar with these layouts. Please note that a profit and loss account is also known as an income statement. The term to be used in assessment in the presentation of the profit and loss account should be **statement of profit or loss**.

The term to be used in assessment in the presentation of the balance sheet should be **statement of financial position**.

Figure 6
Statement of profit or loss: Profit-making entity

ABC Ltd (profit-making entity)

**Statement of profit or loss
for the year ended 31 December 20XX**

	\$m
Sales revenue	1,500
Cost of sales	<u>(500)</u>
Gross profit	1,000
Expenses	<u>(300)</u>
Profit before interest and tax	700
Interest	<u>(100)</u>
Profit before tax	600
Tax	<u>(200)</u>
Profit for period	400
Dividends	<u>(150)</u>
Retained profit	<u><u>250</u></u>

Figure 7

Statement of profit or loss: Non-profit entity

ABC (non-profit entity)

**Statement of profit or loss
for the year ended 31 December 20XX**

	\$m
Sales revenue	1,500
Cost of sales	<u>(500)</u>
Gross surplus	1,000
Expenses	<u>(300)</u>
Surplus before interest	700
Interest	<u>(100)</u>
Surplus before tax	600
Tax	<u>0</u>
Surplus for period	600
Retained surplus	<u><u>600</u></u>

Figure 8
Statement of financial position: Profit-making entity

ABC Ltd (profit-making entity)		
Statement of financial position as at 31 December 20XX		
	\$m	\$m
Non-current assets		
Property, plant and equipment	900	
Accumulated depreciation	(100)	
Non-current assets		<u>800</u>
Current assets		
Cash	600	
Debtors	400	
Stock	100	
Current assets		<u>1,100</u>
Total assets		<u>1,900</u>
Current liabilities		
Bank overdraft	200	
Trade creditors	100	
Other short-term loans	200	
Current liabilities		<u>500</u>
Non-current liabilities		
Borrowings—long term	300	
Non-current liabilities		<u>300</u>
Total liabilities		<u>800</u>
Net assets		<u>1,100</u>
Equity		
Share capital	100	
Retained earnings	1,000	
Total equity		<u>1,100</u>

Figure 9

Statement of financial position: Non-profit entity

ABC (non-profit entity)

**Statement of financial position
as at 31 December 20XX**

	\$m	\$m
Non-current assets		
Property, plant and equipment	900	
Accumulated depreciation	(100)	
Non-current assets		<u>800</u>
Current assets		
Cash	600	
Debtors	400	
Stock	100	
Current assets		<u>1,100</u>
Total assets		<u>1,900</u>
Current liabilities		
Bank overdraft	200	
Trade creditors	100	
Other short-term loans	200	
Current liabilities		<u>500</u>
Non-current liabilities		
Borrowings—long term	300	
Non-current liabilities		<u>300</u>
Total liabilities		<u>800</u>
Net assets		<u>1,100</u>
Equity		
Retained earnings	1,100	
Total equity		<u><u>1,100</u></u>

Figure 10

Cash flow forecast: Profit and non-profit entity

Cash flow forecast for ABC Ltd or ABC for the first three months of 20XX

<i>All figures in \$m</i>	January	February	March
Opening balance	8	2	1
Cash inflows			
Cash sales revenue	300	300	300
Tax refund		3	
Total cash inflows	300	303	300
Cash outflows			
Rent	2		
Packaging	15	15	15
Salaries and wages	50	50	50
Cost of sales	220	220	220
Heating and lighting	4	4	4
Delivery	15	15	15
Total cash outflows	306	304	304
Net cash flow	(6)	(1)	(4)
Closing balance	2	1	(3)

Figure 11

Budget: Profit and non-profit entity

Budget for ABC Ltd or ABC for the period ended 20XX

<i>All figures in \$m</i>	Budgeted figures	Actual figures	Variance
Revenue			
Sales revenue	500	520	20 [F]
Interest earned	40	35	5 [A]
Total revenues	540	555	15 [F]
Costs			
Salaries and wages	150	180	30 [A]
Materials	80	75	5 [F]
Rent	15	15	0
Advertising	8	10	2 [A]
Electricity	12	9	3 [F]
Total costs	265	289	24 [A]
Excess of revenues over (under) costs	275	266	9 [A]

[F] means Favourable

[A] means Adverse