**The Income Statement for a trading business**

**Activity 1**

Complete the Income Statement for *John Hyoos Car Dealership*

**John Hyoos Car Dealership**

**Income Statement for year ended 30 June 2014**

|  |  |  |
| --- | --- | --- |
| **Income** |  |  |
| Sales |  | 40,000 |
| Less: Cost of Goods Sold |  | 12,000 |
| **Gross Profit** |  | 28,000 |
|  |  |  |
| **Add: Other Income** |  |  |
| Discount received |  | 200 |
| **Total Income** |  | **28,200** |
|  |  |  |
| **Less: Expenses** |  |  |
| Rent | 6,000 |  |
| Wages | 15,000 |  |
| Insurance | 200 | \_\_\_\_\_\_\_ |
|  |  |  |
| **Profit** |  | \_\_\_\_\_\_\_ |

**Activity 2**

Miranda owns a boutique fashion outlet. She has provided you with the following account information. Complete the Income Statement for year ended 30 June 2015

|  |  |
| --- | --- |
| Discount received | 800 |
| Stationery expense | 300 |
| Insurance | 800 |
| Sales | 250,000 |
| Commission revenue | 10,000 |
| Office expenses | 15,000 |
| Discount given | 2,000 |
| COGS | 173,000 |
| Rent revenue | 12,000 |
| Advertising | 3,000 |
| Wages | 30,000 |

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**Activity 3**

**Mary’s Second-hand Cars.**

Mary decided to start a business selling second-hand cars. She had saved up some money of her own but this was not enough to get started so she obtained an interest-free loan for the business from her parents. The transactions of the business for the first month were as follows. All transactions were cash.

Day 1 Opened a business bank account and paid in $1,000 of her own money.

Day 2 Paid into the bank $4,000 that she had borrowed from her parents for use by the business. (Note: as she will repay some of this loan within this trading month we will treat the loan as a current liability).

Day 3 Found suitable showroom and paid a fortnight’s rent of $200.

Day 4 Went to a car auction and bought the following cars for cash:

* 2005 Ford Fiesta for $2,000
* 2003 Ford Escort for $1,000
* 2000 Volkswagen Beetle for $240

Day 5 Bought some office furniture for $600.

Day 6 Employed a teenager to clean cars for her at the rate of $20 per car. Paid out $60.

Day 8 Placed advertisements for all three cars in the local paper. The cost of advertising was $40 per day for each car. She decided that all three should be advertised for two days, and so the total cost was $240.

Day 9 Sold the Ford Fiesta for $3,000 cash.

Day 10 Sold the Ford Escort for $1,400 cash.

Day 11 Returned to the car auction and bought a Gemini for $3,000.

Day 12 Employed her teenage friend to clean the Gemini for $20.

Day 15 Re-advertised the Volkswagen for three days at $40 per day, total cost $120.

Day 17 Advertised the Gemini using a special block advertisement which cost $150 in total.

Day 18 Paid rent for showroom for the next fortnight, amounting to $200.

Day 19 Was offered $800 for the Volkswagen.

Day 20 Accepted the offer for the Volkswagen and was paid $800.

Day 22 Sold the Gemini for $3,600.

Day 23 Went to the car auction and bought a Datsun 270 for $4,600.

Day 24 Had the Datsun professionally cleaned at a cost of $80.

Day 25 Advertised the Datsun using the special block advertisement at a cost of $150.

Day 26 Decided that as things were going so well she would repay her parents $400.

Day 27 Took the Datsun on a test-drive with a customer, during which the engine seized.

Day 29 Had the Datsun repaired at a cost of $600.

Day 30 Sold the Datsun for $4,500.

Day 31 Paid electricity bill of $80 for the month.

Construct an income statement and balance sheet based on the first month of business.