

Year 11 GCSE Applied Business

Name:

Group:

Unit 2: Financial records
Student workbook

2.3

Topic 2.3(a): Financial Statements (Profit and Loss Account and Balance Sheet)

LO: To complete financial statements.

L1 G-E: Complete Profit and Loss Account and identify key parts of a Balance Sheet.

L2 D-B: Complete Profit and Loss Account and key parts of a Balance sheet.

L3 A-A*: Complete Profit and Loss Account and a Balance Sheet.

Pathway	Key objective
A	I can complete P&L Accounts and Balance Sheets correctly.
B	I can complete P&L Accounts and key parts of a Balance Sheet correctly.
C	I can complete key parts of a P&L Account and Balance Sheet correctly.
D	I can complete some parts of a P&L Account and identify some assets and liabilities.
Targets	
1	I know each key term related to a Profit and Loss Account.
2	I can complete Profit and Loss Accounts correctly.
3	I can evaluate what a completed Profit and Loss Account shows about profitability.
4	I know each key term related to a Balance Sheet.
5	I can complete Balance Sheets correctly
6	I can evaluate what a completed Balance Sheet shows about liquidity.

Topic 2.3(b): The importance of Financial Statements and Stakeholders

LO: To understand the importance of financial statements.

L1 G-E: Identify the importance of financial statements.

L2 D-B: Explain the importance of financial statements.

L3 A-A*: Evaluate the importance of financial statements.

Pathway	Key objective
A	I can use P&L Accounts and Balance Sheets to evaluate business performance and stakeholder interest.
B	I can use P&L Accounts and Balance Sheets to explain business performance and stakeholder interest.
C	I can use P&L Accounts and Balance Sheets to state business performance and stakeholder interest.
D	I can use P&L Accounts and Balance Sheets to identify basic business performance and stakeholder interest.
Targets	
1	I can evaluate the importance of P&L Accounts to different stakeholders.
2	I can explain the importance of P&L Accounts to different stakeholders.
3	I can evaluate the importance of Balance Sheets to different stakeholders.
4	I can explain the importance of Balance Sheets to different stakeholders.

Topic 2.3(a): Financial Statements

1. Define the term financial statements (2)

2. State the two financial statements (2)

3. Define the term Profit and Loss Account (Income Statement) (2)

4. Define the key terms that appear on a Profit and Loss Account (Income Statement) (5).

Key Term	Definition
Sales (Sales Revenue, Sales Income, Turnover, Total Sales)	
Cost of Sales	
Gross Profit	
Expenses (Total Expenses)	
Net Profit (Net Loss)	

5. Complete the Profit and Loss Account below (8).

Item	Value (£)
Sales	550,000
Wages	60,000
Cost of Sales	90,000
Office costs	10,000
Mailing costs	12,000

Sales		
Cost of sales		
Gross Profit (A)		
Expenses		
Total Expenses (B)		
Net Profit (A-B)		

6. Explain how you calculated the following (6)

Gross Profit:

Total Expenses:

Net Profit:

7. Complete the Profit and Loss Account below (9):

Sales	Value (£)
Food	72,000
Drink	11,000
Costs	
Food supplies	22,000
Disposable cups/plates	3,150
Wages and salaries	10,700
Staff training	2,600
Light, heat and power	5,500
Telephone and internet	2,000

Total Sales		
Cost of sales		
Gross Profit		
Expenses		
Total Expenses		
Net Profit		

8. What is the formula to calculate gross profit? (2)

9. What is the formula to calculate net profit? (2)

10. Define the term Balance Sheet (2)

11. Balance sheet: Define the Balance sheet key terms (9)

Key term	Definition
Assets	
Fixed assets	
Current assets	
Liabilities	
Current liabilities	
Long-term liabilities	
Working capital	
Net assets	
Capital	

12. What is the type of item? Tick the box in the correct cell (16)

Items that appear on a Balance sheet		Section of balance sheet				
		Fixed asset	Current asset	Current liability	Long-term liability	Capital
A	Delivery van					
B	Equipment/machinery					
C	Cash					
D	Debtors (owe money to the business in the short-term)					
E	Premises/Buildings					
F	Stock					
G	Reserves (retained/unspent profit)					
H	Share capital/shareholder's fund					
I	25 year mortgage					
J	Overdraft					
K	Bank (money in a business's bank account)					
L	Profit & Loss account (Net profit or Net loss from P&L account)					
M	15 month bank loan					
N	Rent and business rates					
O	Bills e.g. gas, lighting and phone					
P	Overdraft (short-term bank loan to pay running costs)					

13. Complete the tables below (5)

Assets	£
Vehicles	80,000
Stock	4,000
Equipment	15,000
Total assets (A)	

Liabilities	£	Capital (Financed by)	
Creditors	6,000	Capital (Financed by)	
Bank loan	12,000	Share capital	69,000
Total liabilities (B)		Profit and loss account	
Net assets (C)		Total capital (D)	

14. How the balance sheet works (9)

Part A calculates: _____

Part B calculates: _____

Part C calculates: _____

Part D calculates: _____

The two sections that need to balance are: _____

What is the formula to calculate this: _____

The purpose of a balance sheet is: _____

15. Define the term 'solvent' (2)

16. Define the term 'insolvent' (2)

17. Define the term 'working capital' (2)

18. Complete the Balance sheet using the information below (17)

Premises	£160,000	Equipment	£50,000
Stock	£13,000	Bank	£7,000
Creditors	£5,000	Bank loan	£10,000
Mortgage	£90,000	Profit and loss account	£50,000
Share capital	£75,000		

	£	£
Fixed assets		
Current assets		
Total assets		
Current liabilities		
Working capital (Current assets – current liabilities)		
Total assets less current liabilities		
Long-term liabilities		
Net Assets		
Capital		
Total capital		

19. Balance sheet summary. Correct any errors (5)

The purpose of a Balance sheet is to show whether a business has made a profit or loss.

It provides a snapshot of what a business is worth at a point in time.

It looks at what a business owns (liabilities) and what a business owes (assets).

It is called a Balance sheet because two sets of figures have to be the same (balance).

The figures that need to balance are Net current assets and Assets.

Total assets – Total liabilities = Working capital

It is of interest to all stakeholders

2.3(b): The importance of financial statements to stakeholders

20. Define the term 'stakeholder' (2)

21. Explain why each of the following stakeholders would be interested in a profit and loss account (7)

Stakeholders	Explanation
Owners/Shareholders	
Government	
Customers	
Employees	
Managers	
Lenders (Bank)	
Suppliers	

22. Explain why each of the following stakeholders would be interested in a Balance sheet (7)

Stakeholders	Explanation
Owners/Shareholders	
Government	
Customers	

Employees	
Managers	
Lenders (Bank)	
Suppliers	