

Financial Statements

Paul started a new business of purchasing cartons and selling to manufacturers for purposes of packing finished goods. He began his business with Rs.100,000 in Cash. During the first month of trading he purchased cartons for Rs.90,000 This is called stock of goods (or inventory). Later in the month he sold part of his stock for Rs.110,000, the remaining stock being Rs.25,000.

During the second month of trading, Paul purchased more cartons for Rs.50,000. He managed to sell all the new cartons, and part of the earlier stock for Rs.90,000, the remaining stock being Rs.15,000.

In the third month of his business, Paul purchased more stock for Rs.100,000. However he had sales worth Rs.95,000, with Rs.55,000 worth of total stock in hand.

Prepare a Statement of Cash Flow, Profit & Loss A/c, and Balance Sheet as at the end of Months 2 & 3.

Paul - Carton business

| | Month 1 | Month 2 | Month 3 |
|------------------|----------------|----------------|----------------|
| CASH FLOW | | | |
| Bal b/f | 100,000 | 120,000 | 160,000 |
| Purchases | (90,000) | (50,000) | (100,000) |
| Sales | 110,000 | 90,000 | 95,000 |
| Bal c/f | <u>120,000</u> | <u>160,000</u> | <u>155,000</u> |

PROFIT & LOSS A/C

| | | | |
|----------------------------|---------------|---------------|----------------|
| Sales | 110,000 | 90,000 | 95,000 |
| <u>Less: Cost of Sales</u> | | | |
| Opening Stock | - | 25,000 | 15,000 |
| Purchases | 90,000 | 50,000 | 100,000 |
| | <u>90,000</u> | <u>75,000</u> | <u>115,000</u> |
| Less: Closing Stock | (25,000) | (15,000) | (55,000) |
| | <u>65,000</u> | <u>60,000</u> | <u>60,000</u> |
| Profit for the day | 45,000 | 30,000 | 35,000 |
| Profit b/f | - | 45,000 | 75,000 |
| Profits c/f | <u>45,000</u> | <u>75,000</u> | <u>110,000</u> |

BALANCE SHEET

| | | | |
|------------------------|-----------------------|-----------------------|-----------------------|
| Stocks | 25,000 | 15,000 | 55,000 |
| Cash | 120,000 | 160,000 | 155,000 |
| Total Assets | <u>145,000</u> | <u>175,000</u> | <u>210,000</u> |
| Capital | 100,000 | 100,000 | 100,000 |
| Profits earned to date | 45,000 | 75,000 | 110,000 |
| Equity | <u>145,000</u> | <u>175,000</u> | <u>210,000</u> |