

Hi there again girls!

We are now going to start with some actual Accounting! You will soon see that Accounting is made up of a lot of statements where certain calculations are made. These statements MUST be completed in a certain format and the correct format forms part of the marks in an assessment.

The first statement we are going to be doing is the Statement of Income and Expenditure.

The Statement of Income and Expenditure is a statement showing a person's or business' income and expenditure for a month and is a way of calculation the difference between the two. It is used to calculate the profit or loss of the business for the month.

In the previous document we did calculations for profit or loss using only simple amounts for an individual. We are now going to do the same calculations, but for a business, and using a list of amounts.

Below is an example, and it is followed by the answer, so that you can see how the statement should be drawn up. You will note that I have included steps to follow as these will help you to complete any further questions correctly.

Example:

The following is a list of the Income and Expenditure for March 2020 for PC Traders, a computer business. Use the information to draw up a Statement of Income and Expenditure for PC Traders for March 2020.

- Sales of computers R20 000 (selling/sales is a form of income for a business- you sell the computers and you/the business receives money)
- Rent paid R3 000 (the business rents space from someone and pays for it every month)
- Interest paid to ABSA Bank for a business loan R500 (refer to first document's definitions)
- Commission paid to salesmen R2 000 (Salaries, wages, commission are all expenses for the business)
- Interest received on an investment at Investec R800 (refer to first document's definitions)
- Water and Electricity paid R600
- Money received from other businesses who owed PC Traders for goods sold to them on credit R1 500 (sold to others on credit and now receiving the money from them)
- Petrol for delivery vans paid R2 000
- Wages paid to workers R3 500

Take note: The word PAID will indicate EXPENSES and the word RECEIVED will indicate INCOME.

ANSWER:

<b>INCOME</b>		<b>EXPENDITURE</b>	
Sale of goods	R20 000	Rent paid	R3 000
Interest received on investment	800	Interest paid to ABSA on loan	500
Money from other businesses for goods sold on credit	1 500	Commission paid	2 000
		Water and Electricity	600
		Petrol paid for vans	2 000
		Wages paid	3 500
		<b>Profit</b>	<b>10 700</b>
	22 300		22 300

Steps to following:

1. Go through the list of items given and decide whether each one is an income or an expense.
2. Enter the items on either the income or expenditure side of the table as shown above. The table is divided into two: Income on the left with a column for details and a column for amount. Expenditure on the right with a column for details and a column for amount. We only write the rand sign once at the top of the column with the first entry.
3. Add up both sides and make a note of the two different totals. This should just be scribbled somewhere and not written in the table yet. The Income side total is R22 300 and the Expenditure total is R11 600.
4. Write the **BIGGER TOTAL** as a total on both sides of the table. **Make sure you skip a line between the last entry (wages paid).**
5. Find the difference between the two totals,  $R22\ 300 \text{ minus } R11\ 600 = R10\ 700$ . Write this answer on the **SMALLER SIDE** (in this case the expenditure side) on the line that you have skipped between the last entry and the totals.
6. What we are doing you is trying to “balance” the two sides of the table, in other word, make the two sides equal, and the only way we can do that is by adding something on the smaller side.
7. If we are “adding” something on the Expenditure side, it means that the expenses were less than the income and therefore a profit was made! If we are “adding “ something on the Income side, it means that the income was less than the expenses and it was a loss!
8. If you follow these steps, I guarantee that you will be able to complete the statement correctly.
9. Just try and you never know-you might be an Accounting Whiz!!!!!!
10. Do not stress if you don't understand what on earth is going on, just try and a will definitely help you when we get back.

Below are two exercises for you to try. Good luck and believe in yourself!

Remember to follow the steps!

1. Using the information below, draw up the Statement of Income and Expenditure of Mahlangu Traders for the month of March 2020.
  - Received R10 000 from an employee who borrowed the money for personal use from the business in January 2017
  - Paid employees' wages for the month:
    - M. Martins R2 000
    - J. Johannes R3 000
  - Paid the UIF of the workers for the month, to the Department of Labour R1 250
  - Received interest on a fixed deposit at Nedbank, R560
  - Paid the local CALTEX garage for fuel purchased for the delivery vans R3 500
  - Purchased new computers for the office R10 500
  - Received R30 700 for services delivered during the month
  
2. Use the information given below to draw up the Statement of Income and Expenditure of AA Battery Suppliers for the month of April 2020.
  - Purchased a new computer for the secretary, R10 700
  - Paid the monthly utilities bill, R3 560
  - Received R2 750 from Makro as a refund after over charging us last month
  - Applied for a loan from ABSA Bank and received the money requested, R50 000
  - Paid the monthly salaries to employees, R25 320
  - Paid the first instalment on a vehicle purchased last month, R4 200
  - Sent a cheque to Liberty Life to pay the business' monthly insurance premium, R850
  - Received R1 500 as dividends from investing money at Discovery Life