

**AAT Access Award in Business Skills**

**Profit and Loss**

**Profit**

***Profit is where a business organisation earns more money (income) than it spends (expenditure).***

**Loss**

***Loss is where a business organisation spends more money (expenditure) than it earns (income).***

**Gross Profit**

***Gross Profit is calculated by subtracting Cost of Sales from Sales Income. This represents the profit the business has made before subtracting the cost of its expenses.***

**Net Profit**

***Net Profit is calculated by subtracting Expenses from Gross Profit. This represents the profit the business has made after deducting all of its costs.***

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### AAT Level 1 Award in Accounting

#### Profit and Loss

#### Worked Example

*Swift Tailors is a business which makes and alters clothes. During its first year of trading it had the following income and expenditure:*

<b>Staff Wages</b>	<b>£45,100</b>
<b>Administrative Expenses</b>	<b>£5,700</b>
<b>Motor Expenses</b>	<b>£2,800</b>
<b>Sales Income</b>	<b>£204,500</b>
<b>Rent and Rates</b>	<b>£18,000</b>
<b>Heat and Light Expenses</b>	<b>£3,200</b>
<b>Cost of Sales</b>	<b>£98,900</b>

**Calculate the Gross Profit and the Net Profit or Loss for the year.**

<b>Sales Income</b>	<b>£204,500</b>
<b><u>Less</u> Cost of Sales</b>	<b>(£98,900)</b>
<b>Gross Profit</b>	<b>£105,600</b>
<b><u>Less</u> Staff Wages</b>	<b>(£45,100)</b>
<b><u>Less</u> Administrative Expenses</b>	<b>(£ 5,700)</b>
<b><u>Less</u> Motor Expenses</b>	<b>(£ 2,800)</b>
<b><u>Less</u> Rent and Rates</b>	<b>(£18,000)</b>
<b><u>Less</u> Heat and Light Expenses</b>	<b>(£ 3,200)</b>
<b>Net Profit</b>	<b>£30,800</b>

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### AAT Access Award in Business Skills

#### Profit and Loss

#### Class Exercise

**Swift Tailors is a business which makes and alters clothes. During its second year of trading it had the following income and expenditure:**

<b>Cost of Sales</b>	<b>£115,100</b>
<b>Staff Wages</b>	<b>£52,430</b>
<b>Motor Expenses</b>	<b>£4,690</b>
<b>Heat and Light Expenses</b>	<b>£6,760</b>
<b>Rent and Rates</b>	<b>£21,880</b>
<b>Sales Income</b>	<b>£206,750</b>
<b>Administrative Expenses</b>	<b>£5,390</b>
<b>Travel Expenses</b>	<b>£1,250</b>

**Task 1 – Calculate the Gross Profit and the Net Profit or Loss for the year.**

**During its third year of trading it had the following income and expenditure:**

<b>Sales Income</b>	<b>£224,900</b>
<b>Administrative Expenses</b>	<b>£4,930</b>
<b>Motor Expenses</b>	<b>£4,550</b>
<b>Cost of Sales</b>	<b>£118,340</b>
<b>Rent and Rates</b>	<b>£22,300</b>
<b>Heat and Light Expenses</b>	<b>£6,070</b>
<b>Staff Wages</b>	<b>£51,110</b>
<b>Bank Interest Paid</b>	<b>£1,320</b>

**Task 2 – Calculate the Gross Profit and the Net Profit or Loss for the year.**

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### **AAT Access Award in Business Skills**

### **Profit and Loss – Class Exercise Templates**

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