

# [Income statement for leak-stoppers llc for the year ended 31st december 2013](https://assignbuster.com/income-statement-for-leak-stoppers-llc-for-the-year-ended-31st-december-2013/)

[](https://assignbuster.com/)[Finance](https://assignbuster.com/essay-subjects/finance/)

﻿$ $   
Revenue (29, 863+3, 418)33, 281   
Materials (9600-580)9020   
Rent (300/12\*9)225   
Salary 3000   
Rates (180/16\*12)135   
Yard amortization 488   
Plumbing equipment depreciation expense (4, 800/5)960   
Motor expenses912   
Van Depreciation (3, 600/4)900   
General expenses (1349 + 295)1644   
Insurance premium (800/16\*12)600   
Electricity expenses (1122/9\*3) + 11221496   
Bad debts w/o (29, 863-25, 613)\* 10%425   
Accountancy Fees250   
Loan interest300   
Total operating expenses20, 355   
Net Profit/net income12, 926   
  
Leak-Stoppers LLC   
Balance Sheet   
As at 31st December 2013   
$   
Assets   
Current Assets   
Accounts Receivable (29, 863-25, 613)\*90%3825   
Cash at bank 6084   
Cash at hand123   
Prepaid expenses (rent+ insurance, 200+75)275   
Closing inventory/unused materials580   
Total current assets10, 887   
Non-current Assets   
AssetCostAcc. Depreciation/AmortizationBook value   
Van 3600900 2700   
Plumbing equipment 4800960 3840   
Lease 6500488 6, 013   
Total non-current assets12, 553   
Total Assets23, 439   
Liabilities   
Current liabilities   
Accounts payable714   
Interest payable (10%\*4000= 400/12\*9)300   
Accountancy fee250   
Accrued rates (180/16\*12= 135)135   
Accrued electricity (1122/9= 124. 6667\*3= 374)374   
Total current liabilities1, 773   
Long term liabilities   
Loan/borrowings4, 000   
Total liabilities5, 773   
Owner’s equity17, 666   
Total owners equity17, 666   
  
Total liabilities and owners equity23, 439   
Notes   
Cash Account   
Dr   
Cr   
Balance   
Cash takings   
3, 418   
-   
3418   
Banked   
-   
2600   
818   
Drawings-family grocery   
-   
400   
418   
General expenses   
-   
123   
295   
Bank Account   
Dr   
Cr   
Balance   
Capital   
6500   
-   
6500   
Drawings-weekly   
4680   
1820   
Drawings-travel   
280   
1, 540   
Lease-office and yard   
6500   
(4, 960)   
Rent   
300   
(5, 260)   
Loan-uncle Mustafa   
4, 000   
(1, 260)   
Materials   
8, 886   
(10, 146)   
Plumbing equipment   
4, 800   
(14, 946)   
Electricity expenses   
1, 122   
(16, 068)   
Motor expenses   
912   
(16, 980)   
General expenses   
1, 349   
(18, 329)   
Insurance   
800   
(19, 129)   
Salary   
3000   
(22, 129)   
Takings   
25, 613   
3, 484   
Cash banked   
2, 600   
6, 084   
  
Change in Owner’s Equity   
AED   
AED   
Opening capital-bank   
6, 500   
Opening capital-van   
3, 600   
Total opening capital   
10, 100   
Add; Net profit   
12, 926   
23, 027   
Less; Drawings   
Travel   
280   
Weekly   
4, 680   
Family grocery   
400   
5, 360   
Closing capital   
17, 666   
Report   
Economic entity concept   
Economic entity concept states that the recorded activity of the business must be kept separate from that of the owner and any other business. Mr. Mansoor has not followed this principle to the latter since he has used the business money as a holiday trip for his wife.   
Going concern concept   
The principle states that the financial statements are prepared with the assumption that the business will continue in operation for the foreseeable future. The acquiring of the lease is a good example that demonstrates the going concern concept that the business will learn for the foreseeable future of more than ten years.   
Accrual concept   
The accrual concept states that revenue is recognized when it is earned and realized or realizable while expenses are recognized in the period in which the related revenue is earned. In the case of Mr. Mansoor, the insurance premium expenses can only be realized when revenue is earned and therefore the prepaid premium of 200 is subtracted from 800 to obtain premium expense of 600. Also the interest expense for the cash borrowed from Mustafa is an example of accrued expense.   
Matching principle   
The principle states that a company should report an expense on the income statement in the same period that the related revenue is earned. For instance, the depreciation expenses for the non-current assets such as plumbing equipment and van are only recognized to the current year i. e. at the end of 2013 when they might have earned revenue.   
Prudence (conservatism) concept   
The prudence concept states that the transactions that the company is uncertain about should not be overstated or understated. Mr. Mansoor has exercised the prudence concept since he has created allowance for the doubtful debts that should be written off i. e. 10% of the accounts receivable.   
Performance of the company in regard to the income statement   
Since the company was able to record a net profit of $12, 926, this shows that its currents expenses are less than its revenues/income. Therefore, the company is able to meet its short-term financial needs. Additionally, the income statement shows that the company is liquid and can be able to meet its daily/short-term needs.   
Balance sheet   
The balance sheet reflects a snapshot of the performance of the company on a single date; it’s usually on the last date of the financial year. Judging from the income statement, the company’s financial performance as at 31st Dec 2013, the company’s current ratio i. e. current assets/current liabilities, 10, 887/1, 773= 6. 14 shows that the company is able to pay the bills. Therefore, as at 31st Dec 2013, the company was able to meet its demands.   
References   
Horngren, C. T., Harrison Jr, W. T., Johnston, J. A. L., Meissner, C. A., & Norwood, P. R. (2013). Accounting, Volume 1. Pearson Education Canada.