Worksheet 1 – Arbeitsblatt 1
Bookkeeping – Profit and Loss Account – Buchhaltung – Gewinn-Verlust-Konto

a) Read the text and complete the sentences with the correct words.
Use the word list for help.

THE PROFIT AND LOSS ACCOUNT is one of the _____ accounts. The purpose of the PROFIT AND LOSS ACCOUNT is to calculate _____ profit. This is the excess of the firm's gross profit plus any other revenues (such as rent received from letting premises) over its expenses. A gross profit is made when the _____ _____ is greater than the cost of goods sold. Clearly, if all _____ were greater than the total revenue, the firm would make a loss. Expense accounts are debited and revenue accounts are credited. THE PROFIT AND LOSS ACCOUNT also shows in the left column (_____ side) all the expenses of a firm and in the right column (_____ side) all revenues.

b) Imagine you are an apprentice in a company and you work in the department of business accounting. Recently the bookkeeper has been very busy and a little bit confused. He has made some mistakes. The following is a profit and loss account that he did yesterday.

Please help him and find the mistakes. Write a new and correct profit and loss account.

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debit (€)	PROFIT AND LOSS ACCOUNT		(€) credit
utility expenses (electricity, water)	135,000	wages	44,000
depreciation	38,000	salaries	87,000
advertising	92,000	paid rent	72,000
insurance	25,000	received rent	120,000
stationery	11,000	received interest	31,000
cost of goods sold	167,000	paid interest	22,000
contributions	9,000	taxes	33,000
sales revenue	714,000	maintenance and repairs	27,000
consultancy fees	45,000		

debit (€)	PROFIT AND LOSS ACCOUNT	(€) credit

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c) Finish the profit and loss account and calculate the net profit using these steps:

1. Add up the credit side of the profit and loss account. Note this amount down in the last row.
2. Put this amount on the debit side and write it in the same row.
3. Subtract all debit entries from the amount in the last row. Write the net profit on the debit side below all expenses.

d) Calculate the gross profit.

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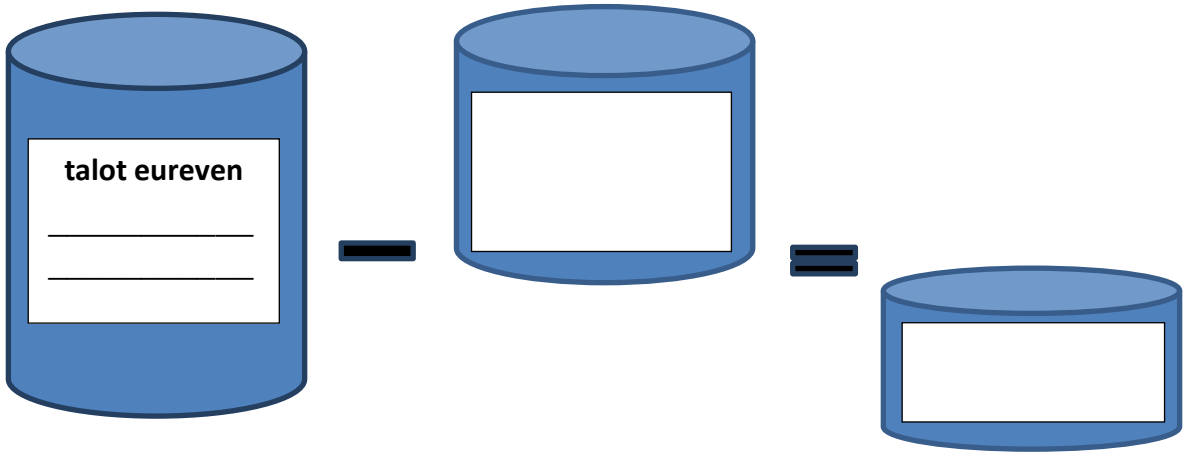
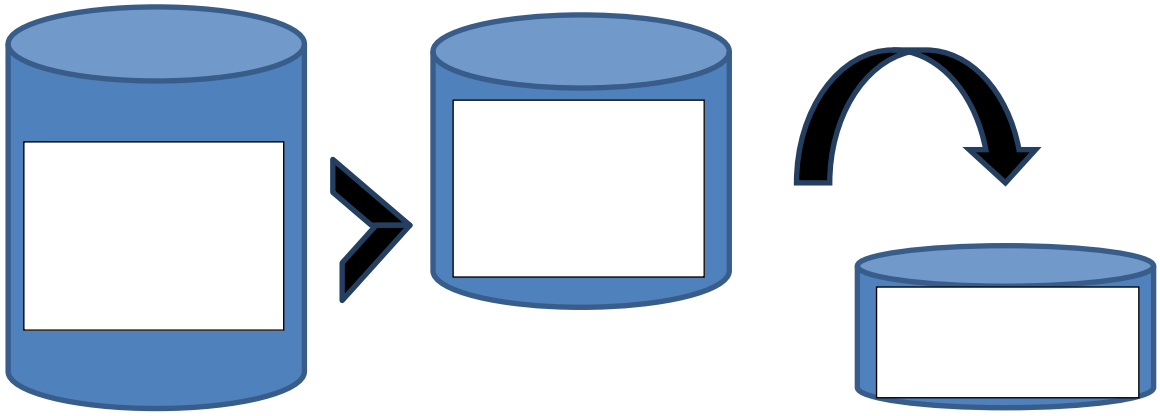
e) Unscramble the words and explain.



And what does this show?



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